

The employees of Pitney Bowes have helped to build this company. Their passion, ingenuity and hard work are laying the foundation for the future. Their commitment and accomplishments have Pitney Bowes poised for success in the next century.



FINANCIAL HIGHLIGHTS

(Dollars in thousands, except per share data)

For the year	1992	1991*	Change
Revenue	\$3,434,124	\$3,332,497	3%
Income from continuing operations	\$312,168	\$287,859	8
Income per share from continuing operations	\$1.96**	\$1.80	9
Total dividends	\$123,112	\$107,948	14
Dividends per common share	\$.78	\$.68	15
At year-end			
Total assets	\$6,498,752	\$6,380,580	2
Stockholders' equity	\$1,652,881	\$1,800,683	(8)
Return on stockholders' equity – continuing operations	18.9%	16.0%	-
Book value per common share	\$10.50	\$11.31	(7)
Common stock price	\$39.88	\$31.56	26
Average common and common equivalent shares outstanding	159,235,412	159,954,680	-
Employees	28,958	29,421	(2)

*Restated to reflect two-for-one stock split.

**Includes additional annual cost of \$.10 per share from application of a new accounting standard for nonpension postretirement benefits (see note 10).

On the cover: Mekonnen Girma, Customer Service; Judy McLaughlin, Quality Engineering; Robert Hoffman, Customer Service; Dalia Cuning, Electronic Technician

Pitney Bowes is dedicated to achieving profitable growth through customer satisfaction. Pitney Bowes will fulfill this mission by using its technological expertise, its sales and service professionalism and its financial strength to deliver the innovative, quality products, systems and services that make Pitney Bowes the first and consistent choice of mailing, logistics and office systems customers worldwide.

Pitney Bowes is a \$3.4 billion multinational manufacturing and marketing company which provides mailing, shipping, copying, dictating, communications recording and facsimile systems; item identification and tracking systems and supplies; mailroom, reprographics and related management services; and product financing.

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Eric Elmore, Marketing Support; Nereida Gonzalez, Operations; Michael DiToro, Credit; Frank Surace, Lease Administration

Pitney Bowes' commitment to the communities in which it operates is a valued company tradition. Wherever Pitney Bowes employees live and work, they have put this commitment into action.

Pitney Bowes employees bring to their communities the same dedication and energy that has driven the success of their work. Because they value the well-being of their communities, they work to understand community problems and, wherever possible, to help with solutions by giving willingly of their time and their talents.

Pitney Bowes employees have been nationally recognized for their community efforts. In 1985 Pitney Bowes received the George S. Dively Award for Corporate Leadership in Urban Development. For its summer jobs for youth program,

Pitney Bowes was presented with the White House Private Sector Initiative Award in 1986. In 1990 Pitney Bowes received the Corporate Conscience Award from The Council on Economic Priorities, and in 1991 the National Alliance to End Homelessness presented the company with its Private Sector Award. These awards attest to the work and commitment of Pitney Bowes employees throughout the years.

Pitney Bowes' sense of community responsibility is as much a part of its culture as its commitment to customer satisfaction. And no matter how much the business world changes, Pitney Bowes Values, including a commitment to the communities where it operates, will always be an important part of this company.



John Johnson, Production; Scott Martin, R&D Model Making; Sandra Clarke, Corporate Legal Secretary; Antonio Olive, Employee Relations

Pitney Bowes Shipping and Weighing Systems

Pitney Bowes Shipping and Weighing Systems provides parcel and freight information and automation systems for the shipping and transportation management functions of the logistics market. By providing computer-based systems, scales, parcel registers and software systems, Pitney Bowes Shipping and Weighing Systems brings efficiencies to both shippers and carriers. Pitney Bowes Shipping Systems products are marketed through Pitney Bowes Mailing Systems' worldwide distribution channels, with particular emphasis on North America, Japan and selected European nations, and are serviced by specially trained customer service representatives.



Monarch Marking Systems

Monarch Marking Systems is a leading supplier of bar code equipment and technology. Monarch provides bar code marking, tracking and control systems for retailers and their vendors, as well as bar code tracking and data collection for all types of industries. With more than 2,400 employees worldwide, Monarch is a market leader in the United States, Canada and Mexico and has solid positions in Japan, the United Kingdom, France and Australia. Monarch products are manufactured in the U.S., the U.K., Hong Kong, Singapore, Mexico, Canada and Australia.

***Pitney Bowes
Management Services***

Pitney Bowes Management Services is a leading provider of facilities management services for a variety of business support functions, including correspondence mail and reprographics management, high volume transaction mail and related activities such as facsimile services, supplies distribution and records management. Pitney Bowes Management Services' nationwide customer base is focused in three primary markets: corporations; financial services institutions, including banking and insurance companies; and professional services companies.



Pitney Bowes
Financial Services

Pitney Bowes Financial Services provides lease financing programs for customers who use products of Pitney Bowes companies; leasing for brokers and vendors of non-competitive, small ticket equipment; mortgage servicing in the United States; and a variety of other financing programs for strong, creditworthy customers. Financial Services consists of:

Pitney Bowes Credit Corporation -
United States

Atlantic Mortgage & Investment Corporation - United States

Colonial Pacific Leasing Corporation -
United States

Pitney Bowes of Canada Ltd. -
Leasing Division

Pitney Bowes Finance PLC -
United Kingdom

Adrema Leasing Corporation -
Germany

Pitney Bowes Finance S.A. -
France

Pitney Bowes Credit Australia Limited



Pitney Bowes Shipping and Weighing Systems

Monarch Marking Systems

**Pitney Bowes
Management Services**

**Pitney Bowes
Financial Services**

I am pleased to report that 1992 was a good year for Pitney Bowes. The company posted good financial results and continued to build for the future by implementing changes in its product technology, its manufacturing operations and its reach to global markets.

Revenue for 1992 was \$3.4 billion, a 3 percent increase from \$3.3 billion in 1991. Income from continuing operations in 1992 increased 14 percent on a per share basis to \$2.06, excluding the effects of adopting Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (FAS 106). Including the effects of FAS 106, income from continuing operations was \$312.2 million, or \$1.96 per share, up from \$287.9 million, or \$1.80 per share in 1991. Return on stockholders' equity from continuing operations increased to 18.9 percent.

We are mindful that for 1992, as for each year, we report to stockholders from two perspectives: Pitney Bowes' performance for the year *and* the continued investments and achievements designed to strengthen the business for the future.

The driver of our success in 1992 and for the future is a strategy designed to make Pitney Bowes the first and consistent choice of customers worldwide. The ability to successfully meet changing customer needs will ensure the future growth of Pitney Bowes.

In 1990 the introduction of the Pitney Bowes Customer Satisfaction GuaranteeSM set an industry standard.

More important, Pitney Bowes set its own rigorous standards against which it constantly measures and analyzes performance. Customer Satisfaction has been an integral part of Pitney Bowes culture and is the essence of our vision to be the first and consistent choice of customers worldwide.

In the late 1980s, we dramatically increased our investment in research and development. We have begun to realize the benefits of that investment as we introduce a series of technologically advanced products, unmatched in their ability to make customer operations more cost-effective and productive. The creativity behind these products has given Pitney Bowes an impressive portfolio of over 3,000 patents worldwide. We will continue to invest in research and development at a level necessary to maintain our market leadership into the twenty-first century.

Though our United States operations performed well, lingering economic weakness and currency changes had a negative impact in several of our key foreign markets. Nevertheless, we are pleased with the progress that we made in every one of our businesses, not only because of the impact on 1992's financial results, but because this progress contributes to the basis of our continued growth. Among 1992's successes were:

- the launch of ParagonTM, the most technologically advanced mailing system in the world and the cornerstone of the Mail Center 2000TM product line which provides state-of-the-art, innovative solutions to mail handling and preparation;

- continued customer demand for Dictaphone's sophisticated digital systems and the growing opportunities for these systems in both the small business market and the international market;

- the new plain paper facsimile products which we added to our expanding plain paper line in response to rising customer demand;

- the positive results we continue to realize from the 1990 decision to exit the copier remanufacturing business and to concentrate on new higher margin copiers;

- the recently improved financial performance of Monarch Marking Systems as a result of a solid increase in U.S. sales, improved factory overhead absorption and ongoing tight expense controls;

- the increased profitability, expanded contract base and increased service offerings of Pitney Bowes Management Services;

- the fifteenth year of operation of Pitney Bowes Financial Services, a business that was profitable after its first full year of operation and has increased its profits every year since because of its financial strength and expertise in customer service and account management.

During the year, we continued to build on our progress in developing, manufacturing, selling and servicing the advanced systems that we provide to our customers. For example, in our manufacturing operations, we successfully implemented a comprehensive process of skills assessment and specialized training to help our existing work force

make the transition from traditional, assembly line manufacturing to self-managed, multifunctional team manufacturing. The work force of the future is manufacturing Pitney Bowes products today. As part of our efforts to reduce service response time, we have equipped over 3,000 of our field technicians with handheld computers linked to our automated customer service dispatching system.

We are developing incentives and performance systems to recognize and reward excellence. We know the future success of Pitney Bowes is directly dependent on the skills and productivity of our employees who give their best in an environment characterized by open communication, integrity and fairness. We have worked hard to create such an environment and are very pleased that our efforts were again recognized in *The 100 Best Companies to Work For in America*.

We know that as the company continues to face pervasive changes in every facet of its businesses, it will be guided by the strong constant at its core — Pitney Bowes Values. These Values allow Pitney Bowes to deal with change. That is why 300 of our top managers from around the world, including representation from our board of directors, gathered at a three-day conference to renew and to reaffirm the commitment to our Values.

Pitney Bowes Values guide our approach to doing business with our customers, our formulation of progressive personnel policies for our employees, our emphasis on good corporate citizenship in the communities where we operate,

and our unswerving commitment to build and to deliver value for our stockholders.

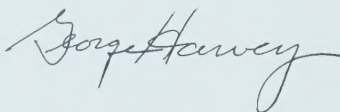
In the future, as in years past, this goal will be achieved by providing product and service excellence to customers worldwide in an increasingly competitive and technologically sophisticated marketplace.

As a sign of our continued confidence about our prospects, the quarterly cash dividend on Pitney Bowes common stock increases 15 percent with the March 1993 payment to 22.5 cents per share. Each year for the past 11 years, Pitney Bowes has increased its dividend payment at a double-digit rate.

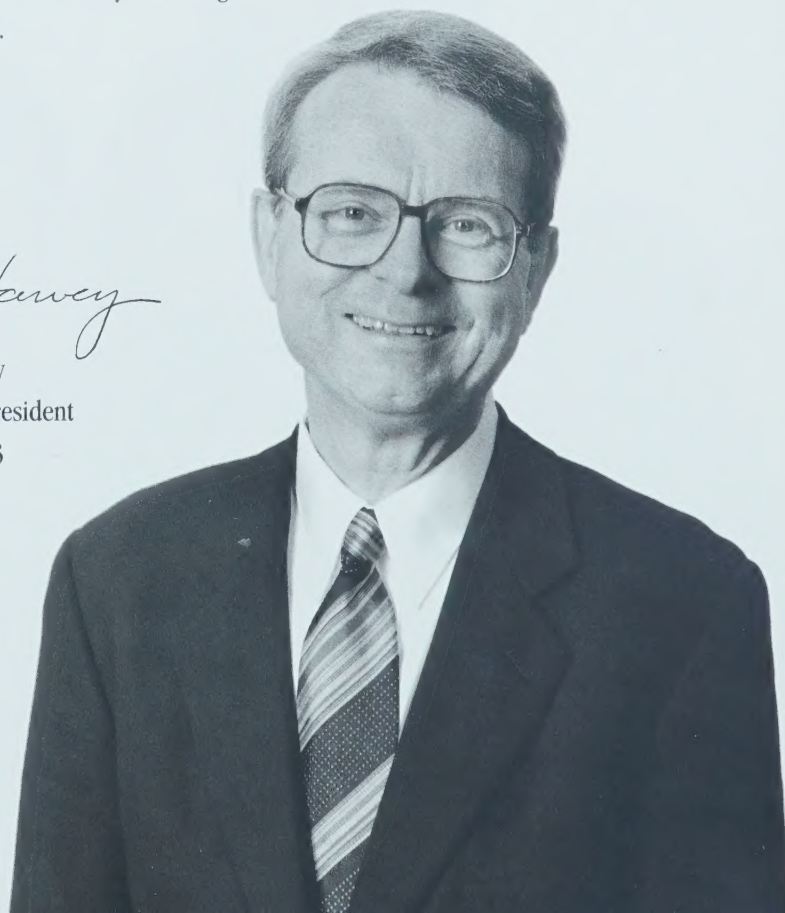
In addition, Pitney Bowes common stock split two-for-one in 1992, the third stock split in less than a decade.

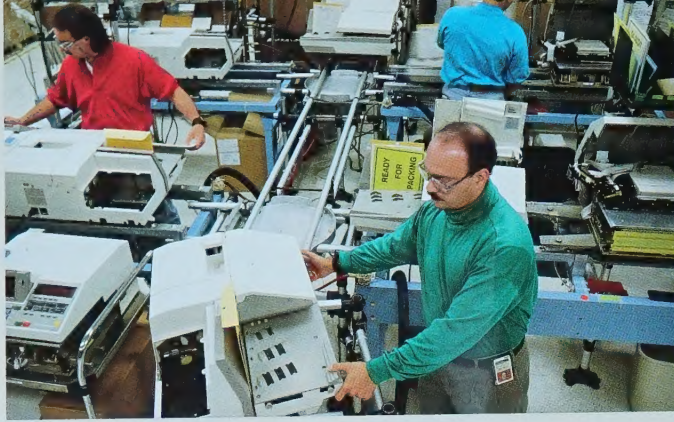
We know that during this last decade of the twentieth century, the changes that we confront are but a prelude to the changes that the next century will bring. We are prepared.

Sincerely,

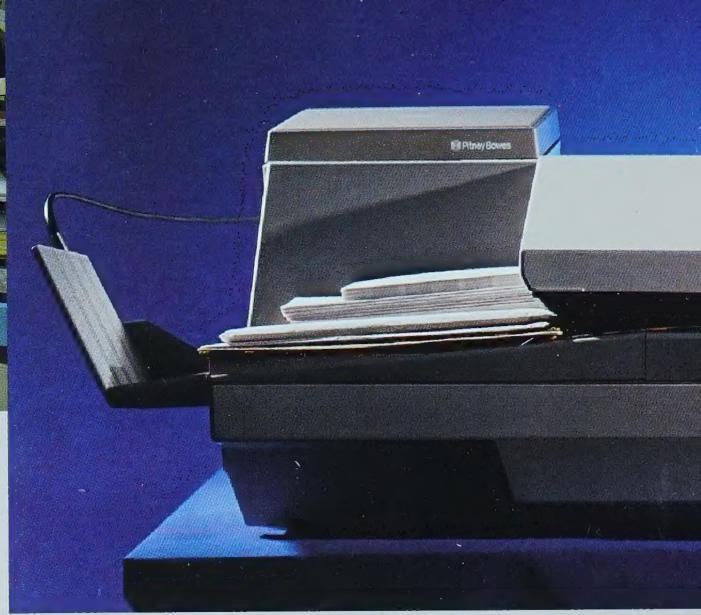


George B. Harvey
Chairman and President
February 8, 1993





Vinny Terentino, Angel Cruz and Robert Bavolacco perform end-of-line tests on Paragon™ Mail Processors.



MAILING PEOPLE

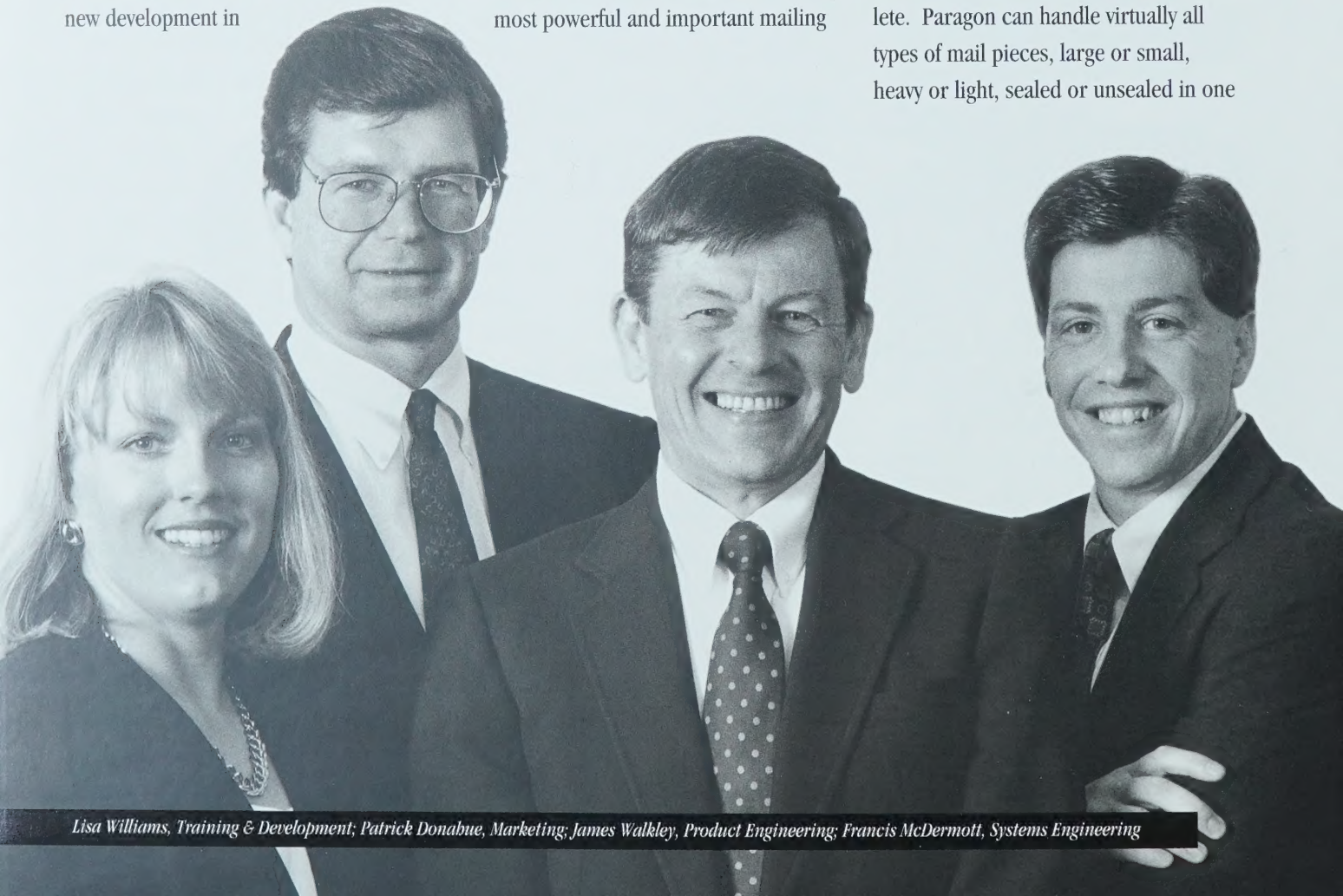
When Pitney Bowes people pool their talents, they can achieve almost anything — such as transforming the way products are designed, engineered and manufactured. And that's exactly what they did when they produced the Paragon™ Mail Processor, the most important new development in

mailing since Pitney and Bowes pooled their talents to invent metered mail.

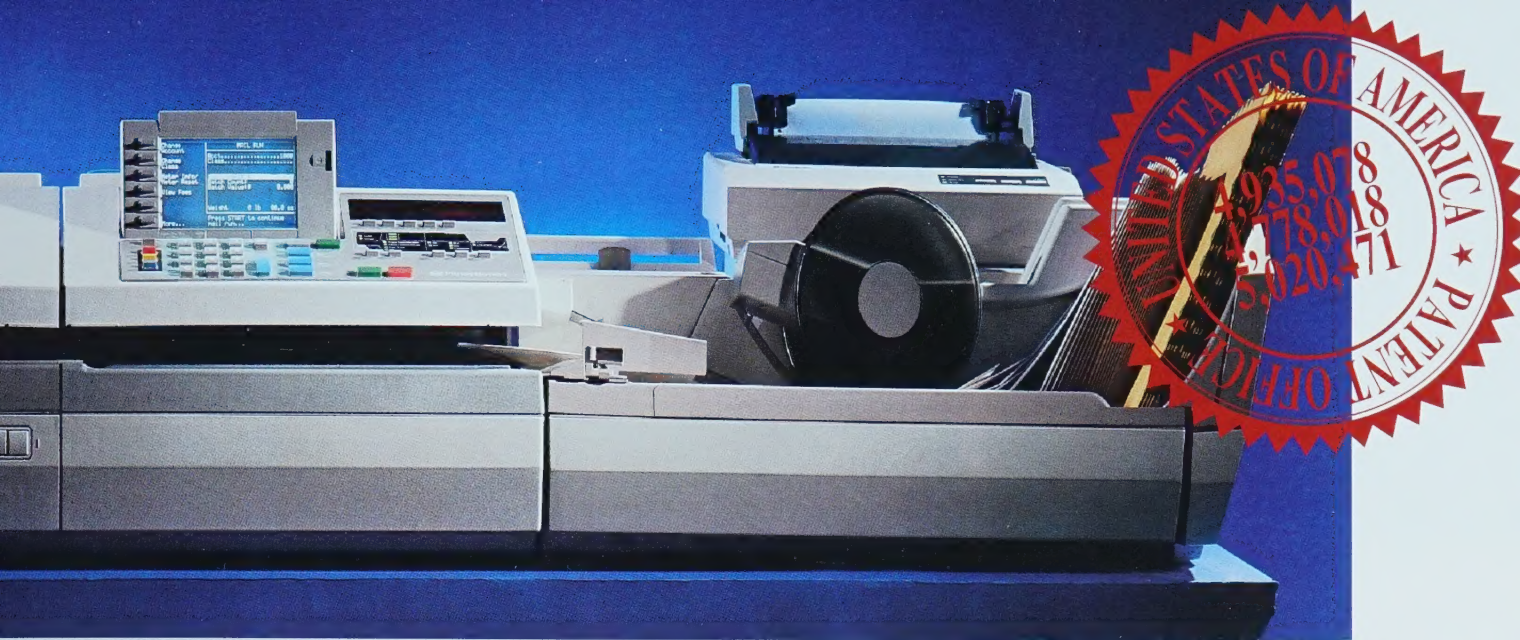
Working together, Pitney Bowes professionals combined their skills in product development, research, engineering, training, manufacturing and production. This combination of talents produced the most powerful and important mailing

system in the world and transformed the way mail is processed.

Paragon has been created for the customer's ease of use and productivity. Its design and capabilities, over 90 of which are secured by breakthrough patents, make sorting mail by size obsolete. Paragon can handle virtually all types of mail pieces, large or small, heavy or light, sealed or unsealed in one



Lisa Williams, Training & Development; Patrick Donabue, Marketing; James Walkley, Product Engineering; Francis McDermott, Systems Engineering



continuous stream. In addition, Paragon applies the proper postage at a faster rate than any other system on the market.

And Paragon is just the beginning. It is the cornerstone of Mail Center 2000™, a new family of mail generation, preparation and finishing systems which will streamline and automate 96 percent of the time-intensive processes required to send out mail.

Products of Mail Center 2000 are being developed and produced by multi-skilled teams of Pitney Bowes employees. As these team members pool their talents, energy and knowledge, they are not only revolutionizing the mailroom, they are creating a new era in manufacturing quality and product reliability. All their efforts are directed toward one goal — to improve the productivity of Pitney Bowes customers.

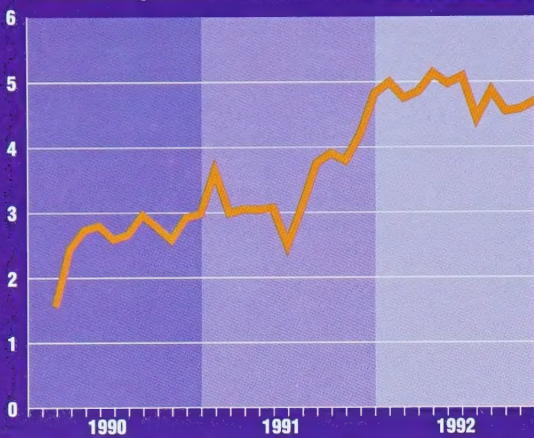
More than 90 patents have been issued on the Paragon™ Mail Processor.



Donald Dolan, Engineering; Charlene Murphy, Manufacturing; Janette Conklin, Production

E200 TEAM PRODUCTIVITY

machines/hr/person



Team members Ivan Whitaker, Corrine Fletcher, Raymond Duda and Rolando Collazo meet with trainer Tatiana Rosbka (standing).

MAILING PEOPLE

Pitney Bowes workers are prepared for the future. Over the past three years, they have completed more than 27,000 hours of training to develop skills in line with the highest standards of quality and productivity.

This training program has revolutionized Pitney Bowes manufacturing operations. Former

single-skilled, assembly line workers now work together in self-directed teams, sharing tasks and taking greater responsibility, from start to finish, for every product they produce.

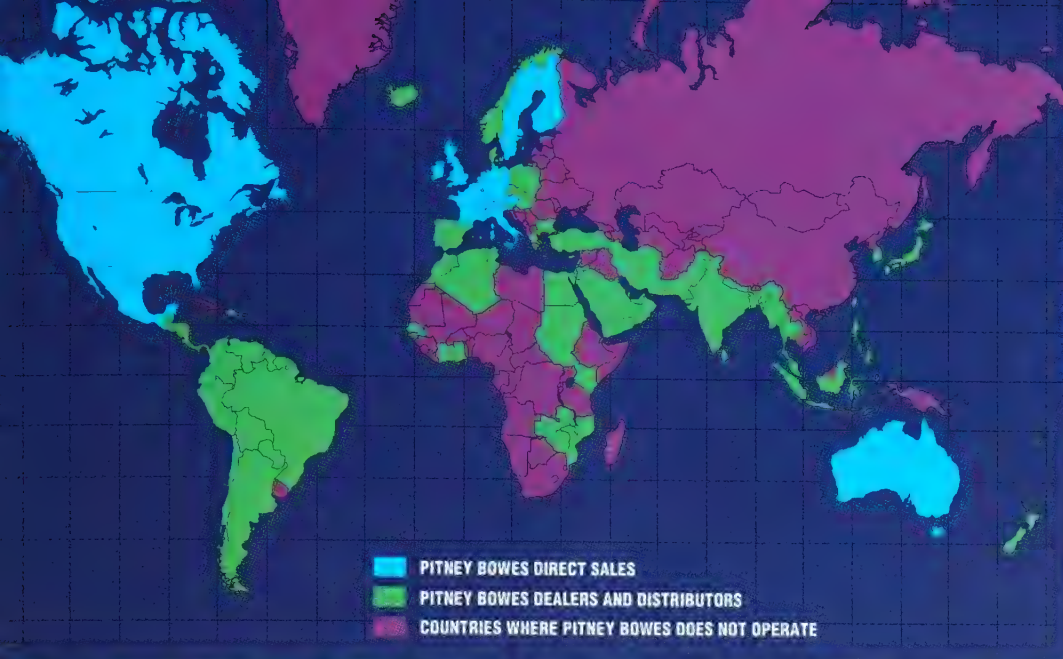
An excellent example of the success of this training is the team that produces

the E200 mailing machine. As a result of their training program, E200 team members have shown a dramatic increase in productivity. Over a two-year period, the number of machines produced per hour by E200 team members increased by more than 60 percent.

Results like this show that Pitney Bowes employees are well prepared for the manufacturing environment of the next century.



John Russo, Production Operations; Frank O'Loughlin, Process Engineering; Connie Murphy, Manufacturing Operations



Pitney Bowes products are sold and serviced around the globe.

MAILING PEOPLE

Pitney Bowes people have built our success one relationship at a time. Wherever there is a Pitney Bowes office, there are Pitney Bowes people dedicated to providing the kind of service that creates satisfied customers.

This dedication to service is a key element in all Pitney Bowes operations. When Pitney Bowes acquired its Italian dealership in 1988, the merger not only

reinforced Pitney Bowes' strong presence in the European marketplace, it brought together two companies with a common philosophy. In the Pitney Bowes tradition, Svidercoschi A.D. had built its reputation and its success with years of solid customer service.

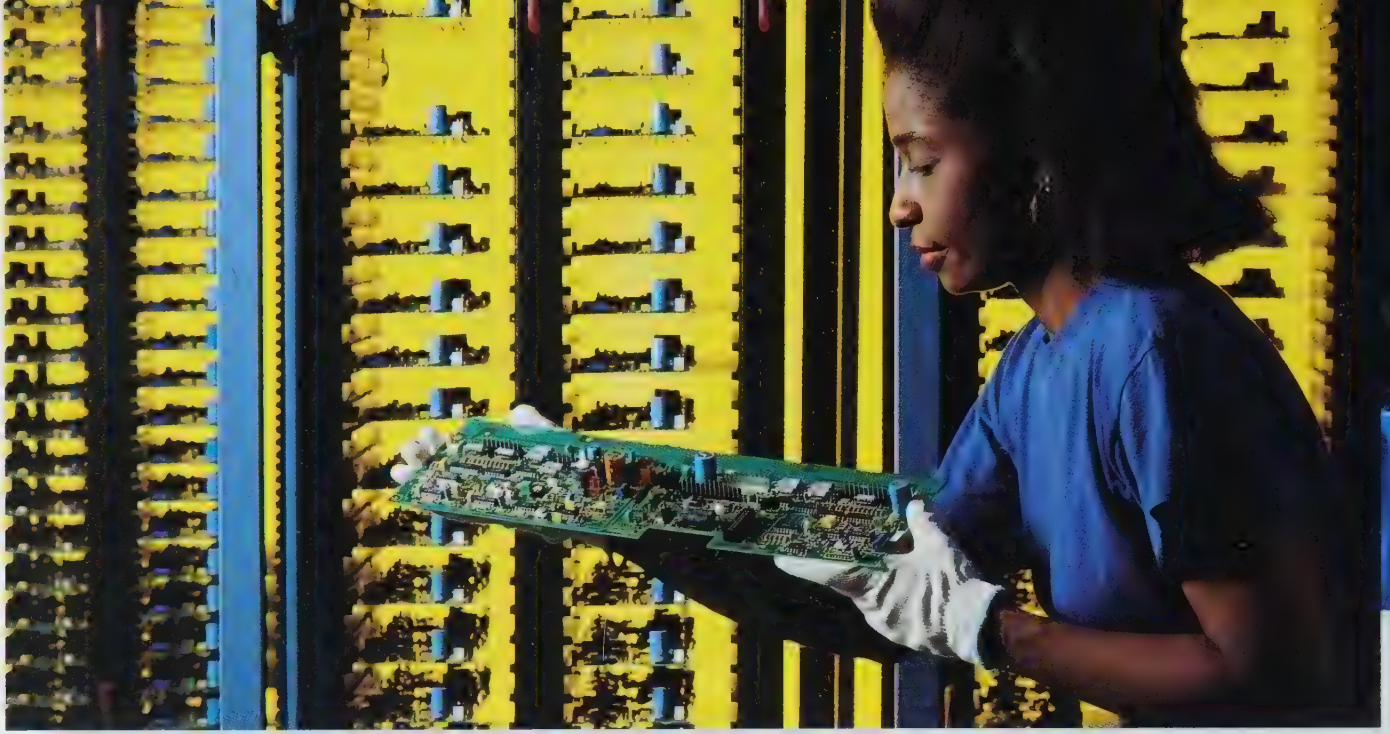
Technology, geography, culture or language may change, but there is one constant at the center of Pitney Bowes' relationships with its millions of customers worldwide: Pitney Bowes people make certain that every customer

receives individual attention

because they know that personal attention is the basis of customer satisfaction.



Rosanna Svidercoschi, Sales; Bruno Micocci, Sales; Lucia Tamburriello, Customer Service; Giampiero Bartoletti, Engineering; Claudio Mainardi, Customer Service



DICTAPHONE PEOPLE

Almost a decade ago, Dictaphone Corporation had the foresight to plan for the 1990s. The company began to move its product line from analog to digital technology in anticipation of customer needs for greater product reliability, a broader array of functions and a choice of products tailored to specific application needs. Today, their foresight is paying off for thousands of satisfied customers.

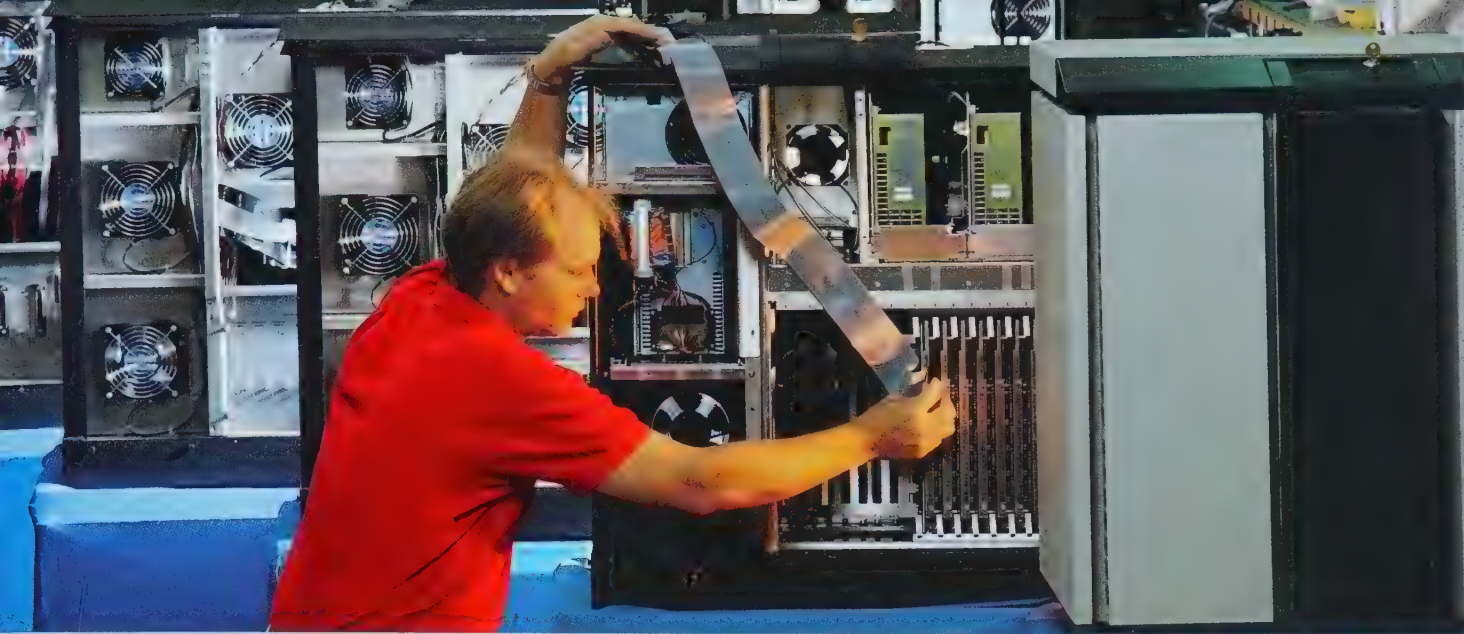
The success of this major transition is wholly attributable to the commitment of Dictaphone employees. Their talents, skills and flexibility made it possible to implement the many changes necessary to the transition.

The results of their efforts have produced groundbreaking products such as the Digital Express™ 7000. The DX 7000 is the first multifunction voice processing system incorporating dictation, voice mail, and information system and voice recognition system interfaces.

The new products have been well received in Dictaphone's existing markets and are opening up new markets



Dan Tracy, Sales; Delanea DePrates, Service Support; James Davis, Test Engineering; Trish Nott, Test Engineering



overseas. Currently, over 50 percent of Dictaphone's product revenue comes from systems products, including the Digital Express™ line.

An important part of the success of this product transition has been Dictaphone's focus on quality manufacturing.

Located in Melbourne, Florida, the Dictaphone manufacturing facility provides timely delivery of quality products.

By focusing on continuous improvement, Dictaphone employees have realized great achievements in manufacturing productivity and efficiency.

Accomplishments like these make it clear why Dictaphone maintains its position as the worldwide leader in voice processing systems.

Marlene Baden and Phil Dwenger assembling the DX 7000 at Dictaphone's manufacturing facility in Melbourne, Florida.



Simon Howes, Voice Processing Engineering; John Chillock, Customer Service; Donald Latson, Healthcare Systems Marketing



Pitney Bowes' full line of copiers is sold and serviced nationwide.



COPIER PEOPLE

Solid strategic thinking and hard work are paying off for the team of dedicated professionals at Pitney Bowes Copier Systems. They had planned carefully and worked hard to implement changes in Copier Systems products, servicing and marketing.

A key element of their plan was the sourcing of a full line of new, high quality, feature-rich copiers with options designed to appeal to the more demanding customer of the 1990s.

Creating an unrivaled service program was another, very impor-

tant element of the plan. Because they understood customers' needs for quality service, Pitney Bowes people developed the Value Added Maintenance SystemSM, a comprehensive preventive maintenance and service program designed to keep Pitney Bowes copiers operating at peak performance levels. With an average four-hour response time, copier service technicians are dispatched nationwide through the Pitney Bowes ACCESSSM Center. Because

service is more than repairs, Pitney Bowes people established a

dedicated supply line for 24-hour shipment of paper and other copier supplies.

Pitney Bowes Copier Systems focused on selling by adopting a marketing strategy that concentrates sales efforts in 80 high-density metropolitan areas where most customers are located.

What did all this accomplish? With a professional sales and service organization and an efficient distribution network, Pitney Bowes Copier Systems provides customers with unmatched quality and service.



Reese Palmer, Marketing Support; Michael Troy, Marketing; Cathy Van Dyke, Distribution; Dr. Russel Wellman, Reliability Testing



PERCENTAGE OF QUERIES RESOLVED
AT THE NATIONAL DIAGNOSTIC CENTER



Daniel Schwarz works with customers at the Facsimile Systems National Diagnostic Center.

FACSIMILE PEOPLE

When Pitney Bowes entered the facsimile business over ten years ago, the company knew that the most efficient and effective way to service its nationwide customers was through the use of remote diagnostics.

Remote diagnostics were originally developed by NASA to repair computers in space. Pitney Bowes Facsimile Systems is the first facsimile supplier to adapt this space age technology to serve its customers.

When a customer with a problem calls the company's National Diagnostic Center in Melbourne, Florida, a Pitney Bowes engineer electronically links with the customer's facsimile machine and has the machine download a self-examination software program to Florida. Results are immediately analyzed, the problem is quickly pinpointed, corrected

software is sent back over the phone lines and the customer's machine repairs itself — all in a matter of minutes. The customer spends no time waiting for a service call.

For Pitney Bowes Facsimile customers, 75 percent of all service problems are solved with just a phone call.



William Scheerer, Field Diagnostic Service Support; Randy James, Customer Service; Deborah Messer, Customer Diagnostic Support; Charles Sims, Customer Diagnostic Support

PBMS PEOPLE

If you processed tens of millions of pieces of mail each year and you wanted to improve efficiencies and generate cost savings, what would you do? NationsBank faced this management challenge and, like many large companies, turned to Pitney Bowes for help. Pitney Bowes Management Services (PBMS) knows how to move mail efficiently and proves it by moving over one hundred thirty million pieces of mail annually for NationsBank. Teamwork and over 70 years of mail management expertise make it happen.

PBMS serves NationsBank, the fourth largest United States bank, throughout Florida, North Carolina, South Carolina and Texas. PBMS manages ten locations that process 63 percent of NationsBank's mail volume.

A team of PBMS mailroom management experts uses Pitney Bowes systems and equipment to consolidate and standardize NationsBank's mail services operations, creating operating efficiencies and improving mail service. PBMS people



Karen Dorsey, Operations/Customer Development; Ted Lauer, Jr., Customer Development; Neil Baer, Operations/Customer Development



Paul Lucy programs equipment at the NationsBank mail services in Charlotte, North Carolina.

apply their mailroom know-how to manage the two and a half million pieces of mail that pass through these NationsBank locations weekly. Bar code sorters scan each envelope, reading addresses, applying zip codes and presorting over one million pieces of outgoing mail each week to maximize postal rate discounts.

A universal mail code system, created specifically for NationsBank, will soon help speed the delivery of interoffice mail. Shipping systems process parcels, and a special procedure tracks the timely delivery of accountable mail.

NationsBank relies on the talents and resources of PBMS to move the mail. PBMS improves mailroom service, increases productivity, controls costs and helps customers like NationsBank better serve their customers.

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Lana Westover, Sales; Gene Ahlborn, Sales/Operations; David Roberts, Sales/Operations; Kim Collins (not shown), Customer Development



Louisa McCarthy operates the scale calibration unit at the Pitney Bowes manufacturing facility in Shelton, Connecticut.

SHIPPING & WEIGHING PEOPLE

What happens when engineering, manufacturing and operations people work together on new product development? Their teamwork makes it possible for a STAR™ 90 shipping system to be manufactured to customer specifications and delivered in less than a week from the order date.

Formerly, engineers designed a new product, and manufacturing employees determined how

to produce it. Now, Design for Assembly teams, like the one which created the STAR 90, work on product design and manufacturing simultaneously.

What did the STAR 90 team accomplish? They realized their goals to cut production and test times and to decrease the number of parts. The STAR 90 uses

more than 60 percent fewer parts and is assembled in record time, eliminating the need to maintain an extensive inventory.

Close collaboration of engineering and production ensured a smooth transition from product design to production.

The teamwork of the Design for Assembly process has permanently changed the traditional roles of engineering and manufacturing to better serve the customer.



George Monroe, Hardware Engineering; Victoria Daehnke, Software Engineering; Paul Aronson, Software Engineering; ChiKou Cheng, Platform Software Engineering



Marcia Brown participates in Monarch's safety program.

MONARCH PEOPLE

Assigning top priority to safety can pay off in bottom-line savings, and no one knows it better than the employees at Monarch Marking Systems. Over the past two years, Monarch's Safety Accountability Program reduced accident costs by thousands of dollars and days lost due to injury by 66 percent.

In January 1991, a team of Monarch employees launched the Safety Accountability Program to educate all employees on the use of good safety practices.

Throughout Monarch's manufacturing operations, employees now give increased priority to safety. Ongoing, mandatory training provides instruction in safety rules, guidelines and performance. Now, Monarch employees work in a safer environment, one they helped to create. The expense of accidents is no longer part of the cost of doing business. By making safety a top priority, Monarch's program achieved more than improved bottom-line results.

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Keith Smith, Facilities Maintenance; Glenda Sells, Electronic Manufacturing; Lloyd Goff, Safety & Security; Bob Stavick, Tool & Die Making

FINANCIAL SERVICES PEOPLE

This year, Pitney Bowes Financial Services (PBFS) marks its 15th year of operation. Founded in 1977 as a leasing organization to meet the financing needs of Pitney Bowes customers in the United States, PBFS' commitment to outstanding customer service has fueled its growth.

The history of PBFS is a composite of many stories of customer satisfaction. PBFS people, who are experts in both financing and Pitney Bowes products, created these stories with their continuing efforts to offer customers the convenience of a total package of product, service and financing. Their ongoing efforts have generated programs and services that make financing Pitney Bowes products easy. Rapid credit turnaround, simple lease documentation and competitive rates make it convenient for Pitney Bowes customers to acquire equipment to meet their needs. Easy-to-use, competitive leasing programs like Express® lease have

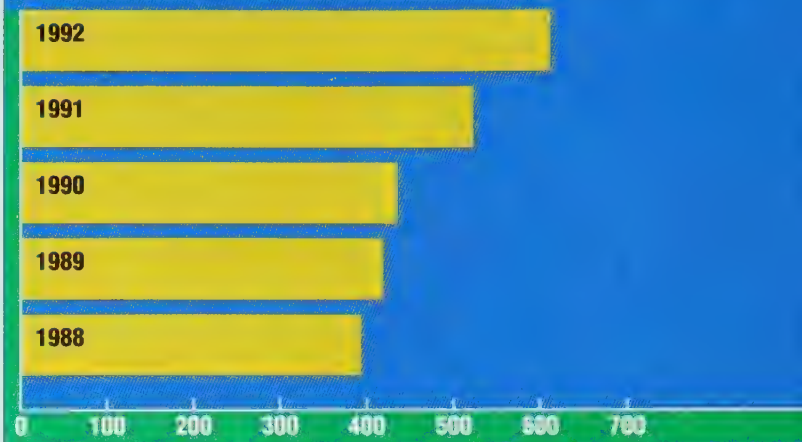
been specifically designed for customers who want to acquire entry-level mailing equipment costing less than \$1,000.

National account programs meet the special needs of Pitney Bowes' larger customers. And, innovative systems-sales incentives and special programs help companies acquire specific combinations of Pitney Bowes products. To provide financing for non-competitive products, Pitney Bowes Credit

Corporation (PBCC), through its Vendor Investment Program and its subsidiary Colonial Pacific Leasing Corporation, has also developed a presence in the small ticket leasing market.

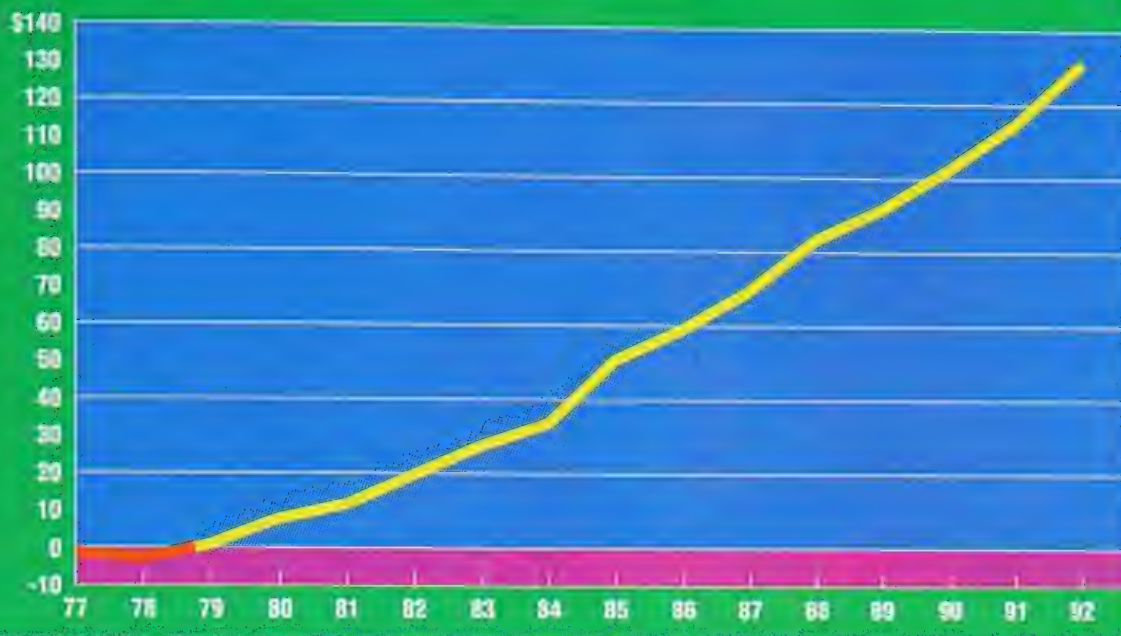
As Pitney Bowes grew, so did PBFS, expanding its operations around the world to help Pitney Bowes customers in Canada, the United Kingdom, Australia, France and Germany. Over the years, PBFS broadened its coverage to include

PITNEY BOWES FINANCIAL SERVICES' ACTIVE LEASES BY YEAR
(leases in thousands)



Jeffrey Ramos, Treasury Operations; Thomas Sullivan, Marketing; Lucy Abercrombie, Default Administration

PITNEY BOWES FINANCIAL SERVICES NET INCOME 1977-1992*
 (\$ in millions) *Excludes effect of accounting changes



financing for the customers of Dictaphone and Monarch Marking Systems.

In its first full year of operation, with 145 employees in the U.S. and England, PBFS generated 51,400 leases. PBFS remains committed to customer satisfaction in the financing of Pitney Bowes products worldwide, as well as

leasing and financing to other strong creditworthy customers. Its story is one of how a tradition of attention to customer needs has resulted in years of profitable growth.

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Mark McConnell, Accounting; Denise Rawles, Lease Administration; Kathy Zaczkowski, M.I.S.; Tony Giovannoli, Sales

BUSINESS EQUIPMENT

Pitney Bowes business equipment businesses include Pitney Bowes Mailing Systems, Pitney Bowes Office Systems and Pitney Bowes Shipping and Weighing Systems. Pitney Bowes Office Systems includes Pitney Bowes Facsimile Systems, Pitney Bowes Copier Systems in the United States and Dictaphone Corporation.

Business equipment revenue of \$2.4 billion accounted for 70 percent of corporate revenue in 1992.

Pitney Bowes Mailing Systems

Pitney Bowes Mailing Systems is the worldwide leader in the mailing equipment and systems market. Mailing Systems' rigorous adherence to its customer satisfaction philosophy makes it the supplier of choice for mailing solutions worldwide.

Pitney Bowes Mailing Systems' 1992 revenue, which includes Facsimile and Shipping and Weighing Systems' revenue for financial reporting purposes, was \$1.8 billion and accounted for 53 percent of corporate revenue. Pitney Bowes Mailing Systems manufactures and markets postage meters and mailing systems and is responsible for selling shipping and weighing systems and products worldwide. Marketing focus is on North America, Western Europe and the Asia/Pacific region. Customers include operations of all sizes, from small mailers to the very largest, production mailers.

During the year, Pitney Bowes Mailing Systems introduced a variety of advanced products to address the needs of mailers for cost-effective, accurate mail preparation. The most notable of these, the Paragon™ Mail Processor for medium to large volume mailers, is a completely automated system that saves customers time and money by eliminating the manual sorting and weighing of mail prior to processing. The SPECTRUM™ Tabletop Inserting System feeds, collates, folds and inserts up to five sheets of paper into an envelope before sealing it. Its modular construction can easily be customized to perform specific applications.

SPECTRUM and Paragon, together with the ADDRESS-RIGHT™ addressing and mail list management system and software, introduced in 1991, are part of the Mail Center 2000™ family of products, which has the capability to automate 96 percent of outgoing mail processes for these mailers.

For high volume production mailers, Pitney Bowes also introduced products with a variety of time and cost saving applications that enable production mail customers to earn maximum postal service presort discounts and offer significantly increased levels of productivity.

New Pitney Bowes products for smaller mailers incorporate productivity features previously available only on larger systems. The Eagle® Priority, the Eagle® Preferred and the Eagle 2™ One Step offer customers a variety of features such as the ability to process mixed mail, accounting and reporting, and automatic rate-shopping for parcels.

To produce these new products, Pitney Bowes' manufacturing employees have been undergoing extensive skills training programs which have resulted in dramatic increases in productivity. Self-directed work teams now assume greater manufacturing responsibility for the products they produce.

Pitney Bowes' leadership in the mailing market is supported by extensive research and development activities in Fairfield County, Connecticut, and Harlow, England, where teams of highly skilled engineers have pioneered in the development of proprietary mailing systems. For example, the Mail Center 2000 product line has over 120 patents.

Support for Pitney Bowes products is enhanced by innovations such as the use of hand-held computers linked directly to the company's automated customer dispatching system. This ensures prompt response to customers' needs. With their product know-how, technical expertise and firm commitment to customer satisfaction, Pitney Bowes sales and service professionals set the industry standard for excellence.

Pitney Bowes Office Systems

Pitney Bowes Facsimile Systems

Pitney Bowes Facsimile Systems, a leading supplier of quality facsimile machines to the corporate market, offers customers high performance products and superior service.

Pitney Bowes continues to expand its line of plain paper equipment, enabling customers to take advantage of the efficiency, improved productivity and cost-effectiveness of these machines. During the year, Pitney Bowes introduced two new machines, the 9520 and the 9350. These facsimile machines transmit a page in seven seconds, making them among the

fastest units available. They also offer an array of sophisticated time and money saving features, such as auto-dialing and memory, which can be tailored to meet the needs of companies with large facsimile networks.

Pitney Bowes is the only facsimile supplier in the United States marketing solely through its own direct sales force. In addition, Pitney Bowes customers have the support of the company's National Remote Diagnostic Center, capable of resolving 75 percent of service calls by electronically diagnosing and correcting problems over telephone lines.

Quality products and superior sales and service support, combined with a firm commitment to customer satisfaction, will make Pitney Bowes Facsimile Systems the most qualified supplier in the markets it serves.

Pitney Bowes Copier Systems

Pitney Bowes Copier Systems' mission is to become a leading supplier of high quality copiers, service and supplies to the medium and high-end markets. In the United States, Pitney Bowes Copier Systems continued to benefit from its new feature-rich product line, rigorous service programs and focused marketing. In 1992 revenue from Pitney Bowes' worldwide copier business was \$285 million and accounted for 8 percent of total corporate revenue.

With the introduction during the year of four additional copier models, Pitney Bowes Copier Systems broadened its 9000 series to include a full line of machines. These machines can be equipped with a range of customer-preferred options such as automatic two-sided copying, sorting and stapling.

Pitney Bowes copiers are sold and serviced exclusively through the company's direct sales and service forces with sales and marketing activities focused in 80 high potential market areas nationwide.

Because service is a critical element in copier performance and customer satisfaction, Pitney Bowes Copier Systems offers an unrivaled service and supplies program. Its Value Added Maintenance SystemSM, a superior preventive maintenance program, helps increase copier productivity, and a nationwide toll-free line makes ordering copier supplies easy. A hand-held computer system provides quick transmission of customer data to field technicians for more efficient customer service. In the very competitive copier

market, these capabilities will enable Pitney Bowes Copier Systems to provide customers with the best in equipment, supplies and service.

In recognition of the strength of Pitney Bowes' service support, Buyers Laboratory, Inc., an independent office products testing firm, awarded its 1992 "Pick of the Year" award to two Pitney Bowes high volume copier models.

Dictaphone Corporation

Dictaphone is the worldwide leader in voice processing systems and communications recorders. Innovative, high quality dictation, voice processing and communications recording products, systems and services provide the foundation for Dictaphone's leadership position.

In 1992 Dictaphone's revenue was \$306 million and accounted for 9 percent of corporate revenue.

Primary customers for Dictaphone's products and systems are business executives, legal and healthcare professionals, public safety officials, and brokers and traders in the financial community. Expanded market opportunities exist in segments such as radio stations, emergency medical departments and correctional institutions.

Dictaphone's successful conversion of its voice processing products from analog to digital technology provides customers of all sizes with increased reliability, broader functionality and greater flexibility.

During the year, Dictaphone continued to profitably grow its business by expanding its digital product offerings and bringing the advantages of digital technology to smaller businesses. The Digital ExpressTM line, with its broad range of system integration capabilities and product offerings, continues to be a major contributor to revenue and profit growth.

Dictaphone's new products and enhancements to its digital product lines included Smart AttendantTM, an automated voice prompting and call routing system; the Record ExpressTM medical report management system; and Straight Talk PlusTM, a digital, desktop voice messaging system.

In the communications recording market, Dictaphone's Veritrac[®] 9000 is the leading product offering. Dictaphone communications recorders serve customers, like police and fire departments, who need a permanent record of incoming and outgoing calls.

Dictaphone markets products through its direct sales and service operations in North America and selected European countries, and through dealers and distributors in Europe, South America and the Asia/Pacific region. Marketing emphasis is being increased in Europe, South America and the Asia/Pacific region.

Supported by in-house product development, manufacturing, design and engineering capabilities, Dictaphone's employees are expert in the development, sales and servicing of digital solutions and applications. They know that quality sells, and they strive to provide customer satisfaction from product development through manufacturing to sales and service.

Pitney Bowes Logistics Systems and Business Services ***Pitney Bowes Shipping and Weighing Systems***

Pitney Bowes Shipping and Weighing Systems provides scales, shipping systems and traffic management systems and software for shippers of all sizes. In the highly competitive shipping market, customers are demanding cost-effective, quality solutions for their shipping and transportation management functions. Pitney Bowes Shipping and Weighing Systems expects to achieve leadership in the logistics market by developing, sourcing and marketing quality shipping and transportation management products for its customers.

Automated shipping systems and transportation management solutions, with their cost and time savings, are becoming more attractive to small and medium volume users who still manually process their shipments. This market represents an important opportunity which Pitney Bowes Shipping and Weighing Systems addressed during the year with products such as STARPOST™, one of several additions to the STAR™ family of systems. These systems automate the rating, tracking, reporting and accounting functions to provide information that improves customers' business decision-making abilities.

During the year, Pitney Bowes Shipping and Weighing Systems continued its collaborative efforts with other Pitney Bowes divisions, providing weighing platforms and software for the Paragon™ Mail Processor and sourcing label printers from Monarch Marking Systems.

With its highly trained sales and service professionals and full line of advanced shipping products and systems, Pitney Bowes Shipping and Weighing Systems is well positioned to satisfy its customers.

BUSINESS SUPPLIES AND SERVICES

The business supplies and services segment of the company is comprised of Monarch Marking Systems and Pitney Bowes Management Services. Monarch Marking Systems provides merchandise price marking, identification and tracking systems for retailers and logistics support systems for all types of businesses using bar code tracking technology. Pitney Bowes Management Services provides on-site facilities management services for business support functions including mailroom management, reprographics and related functions.

In 1992 business supplies and services revenue of \$400 million accounted for 12 percent of total corporate revenue.

Monarch Marking Systems

Monarch Marking Systems is a leading supplier of merchandise price marking, item identification and tracking systems for the retail market and a supplier of integrated bar code applications for the logistics market. Monarch Marking Systems, with its tradition of bar code expertise, will continue to lead the market by developing, manufacturing, sourcing and selling item identification and tracking systems and supplies for the retail and non-retail markets.

During the year, Monarch Marking Systems introduced a variety of products for the retail and logistics markets including printer software and new versions of their proprietary Pathfinder® hand-held product.

Because bar codes are an important way to reduce costs and improve customer service, major United States retailers are increasingly requiring vendors to tag and label merchandise prior to delivery and to mark shipping cartons with bar codes to identify the contents. These applications represent important emerging markets for Monarch Marking Systems' proprietary products. By adding production facilities in Hong Kong, Monarch Marking Systems also expanded its service bureau business, which makes tags and labels for application at the point of merchandise manufacture.

As bar coding grows around the world, Monarch Marking Systems has significant opportunities in international markets, and in 1992 it increased its European coverage.

Monarch Marking Systems' commitment to customer satisfaction is the foundation of its consultative and problem solving sales strategy and its strong service support organization. These strengths will help Monarch Marking Systems assist customers in managing their operations through the innovative use of bar code technology.

Pitney Bowes Management Services

Pitney Bowes Management Services (PBMS) is a leading provider of facilities management services for a variety of business support functions including correspondence mail, high volume transaction mail, reprographics management and related activities.

PBMS customers are concentrated in three major market segments: corporate; financial services, including banks and insurance companies; and professional service organizations.

As companies concentrated on their core business priorities, they turned to outside services to reduce overhead, lower support services costs and improve productivity. During 1992 PBMS continued to benefit from this trend as it successfully penetrated the large business market with expanded service offerings. For example, to help law firms operate more efficiently, PBMS provided them with expanded services, such as a proprietary bar code records-tracking service.

In 1992 PBMS expanded its operations to over 50 major metropolitan areas throughout the United States. Customer use of PBMS mailroom management services increased, with more than 60 percent of PBMS contracts now providing mailroom management.

PBMS is realizing its mission to be the leader in on-site management of business support functions by providing the highest quality service for its customers. To help accomplish this, PBMS leverages Pitney Bowes technology and know-how, enhancing its competitive position.

FINANCIAL SERVICES

Pitney Bowes Financial Services (PBFS) marked its fifteenth year of operation in 1992. Profitable after its first full year of operation, PBFS has increased its profits every year since. PBFS provides leasing for Pitney Bowes products worldwide, leasing and financing to other strong, creditworthy customers, and mortgage servicing in the United States.

PBFS' revenue of \$633 million accounted for 18 percent of total corporate revenue in 1992. At year-end, PBFS' gross finance assets were over \$5 billion and included approximately 610,000 accounts.

PBFS provides product financing in six countries in support of the expansion of Pitney Bowes. Other customers for PBFS are leasing brokers, manufacturers, suppliers and dealer operations seeking product financing for their customers, as well as creditworthy businesses seeking lease financing for capital expansion. During the year, PBFS continued to shift its investment mix from large ticket external transactions toward internal and small ticket transactions.

In 1992 Pitney Bowes acquired Atlantic Mortgage & Investment Corporation (AMIC), a mortgage servicing operation. This acquisition provides PBFS with an opportunity to profitably leverage its expertise in customer service and account management. AMIC provides fee-based billing and collection services to investors in residential mortgages. It does not originate, hold or generally assume the credit risk on mortgages.

In a year when customers were often constrained by tight budgets, PBFS financing programs enabled them to acquire equipment to meet their needs. PBFS also provided financing to support Mailing Systems' multi-country introduction of the Paragon™ Mail Processor.

During the year, PBFS simplified both its invoices and its lease documentation, just two examples of the strong focus on customer satisfaction by Pitney Bowes people. PBFS' strength lies in its talented and responsive employees who use their know-how and resourcefulness to make it easy to do business with Pitney Bowes.

Management's Discussion and Analysis

Segments

Pitney Bowes manufactures and markets products, and provides services in two industry segments: business equipment and business supplies and services; and provides financing in a third industry segment: financial services.

Business equipment includes: postage meters and mailing, shipping and facsimile systems, copiers and copier supplies, and voice processing systems which include dictating systems, automatic telephone answering systems and voice communications recorders.

Business supplies and services includes: equipment and supplies used to encode and track price, content, item identification and other merchandise information and mailroom, reprographics and related facilities management services.

The financial services segment includes the worldwide financing operations of the company. This segment provides lease financing for the company's products as well as other financial services for the commercial and industrial markets.

Revenue and operating profit by business segment and geographic area for the years 1990 to 1992 were as follows:

	Revenue		
	1992	1991	1990
(in millions)			
Industry segments:			
Business equipment:			
Mailing systems	\$1,810	\$1,777	\$1,695
Copying systems	285	276	290
Voice processing systems	306	300	298
	2,401	2,353	2,283
Business supplies and services	400	365	365
Financial services	633	614	548
Total	\$3,434	\$3,332	\$3,196
Geographic areas:			
United States	\$2,715	\$2,583	\$2,448
Europe	401	421	419
Canada and other	318	328	329
Total	\$3,434	\$3,332	\$3,196
	Operating profit		
	1992	1991	1990*
(in millions)			
Industry segments:			
Business equipment	\$ 362	\$ 363	\$ 231
Business supplies and services	34	20	34
Financial services	201	178	161
Total	\$ 597	\$ 561	\$ 426
Geographic areas:			
United States	\$ 520	\$ 457	\$ 333
Europe	34	51	48
Canada and other	45	56	47
Total	\$ 599	\$ 564	\$ 428

*Includes a nonrecurring charge in the business equipment segment in the United States.

Identifiable assets by business segment and geographic area for the years 1990 to 1992 were as follows:

	Identifiable assets		
	1992	1991	1990
(in millions)			
Industry segments:			
Business equipment	\$1,706	\$1,713	\$1,743
Business supplies and services	240	240	244
Financial services	4,352	4,116	3,794
Total	\$6,298	\$6,069	\$5,781
Geographic areas:			
United States	\$5,330	\$4,883	\$4,553
Europe	526	625	713
Canada and other	641	609	583
Total	\$6,497	\$6,117	\$5,849

Results of Continuing Operations

Revenue increased three percent in 1992 and four percent in 1991 despite the continued worldwide economic slowdown. Revenue growth for both periods was slowed by the impact of recessionary conditions throughout the company's worldwide markets with particularly weak demand in the United Kingdom and Australia. Income from continuing operations rose eight percent in 1992 and 39 percent in 1991. Excluding the effect of the 1990 nonrecurring charge for the copier strategy changes discussed below, income from continuing operations increased 11 percent in 1991.

Sales revenue increased three percent in 1992 after only a marginal increase in 1991. The 1992 growth includes the impact of major new mailing product introductions as well as moderate price increases. The success of the company's copier marketing strategy and increased retail demand for marking systems products were reflected in 1992 results following sales declines for both of these product lines in 1991. The aggressive expansion of the facilities management contract base also contributed to the sales increases in both 1992 and 1991. Revenue in 1991 also included increased PROM (memory chip) and scale chart sales resulting from parcel and postal rate changes in the United States and significant growth in the company's German mailing operation.

Rentals and financing revenue, substantially all of which is in the business equipment and financial services segments, increased three percent in 1992 and eight percent in 1991. Rental revenue increased primarily due to price increases as well as higher numbers of postage meters, especially higher yielding Postage By Phone® and electronic meters, and facsimile equipment on rental offset, in part, by the planned 1991 reduction in the copier equipment rental base. Financing revenue grew in both 1992 and 1991 due to increases in the company's leasing portfolios.

Support services revenue, most of which is derived from the business equipment segment, increased two percent in 1992 and eight percent in 1991 primarily due to price increases

as well as the continued expansion of the dictation and facsimile service bases. These factors were partly offset by declines in demand for the servicing of mailing and copier products.

The cost of sales to sales revenue ratio increased to 52.6 percent in 1992 from 52.2 percent in 1991 and 51.3 percent in 1990. These ratio increases were due to the increasing significance of the company's mailroom management business which includes most of its expenses in cost of sales and reduced margins on domestic mailing and shipping products. These factors were partly offset by improved margins at the company's copier and German business equipment operations. High-margin PROM and scale chart sales, lower voice processing product costs and a reduction of costs resulting from settlement of a foreign sales tax refund claim also benefitted 1991 results.

The cost of rentals and financing to rentals and financing revenue ratio was 30.7 percent in 1992, 29.1 percent in 1991 and 27.7 percent in 1990. These ratio increases reflect higher credit loss provisions and, in 1991, increased operating lease programs in the financial services segment. These factors were partly offset by improved copier and 1991 facsimile rental margins.

Selling, service and administrative expenses as a percentage of revenue were 40.1 percent in both 1992 and 1991 and 40.7 percent in 1990. This ratio benefitted from the transition initiatives undertaken in 1989, copier strategy changes begun in 1990, continuing cost containment programs throughout the company, the reduction of certain benefit programs in 1992 and, in 1991, a reduction of expenses resulting from the foreign sales tax refund noted above. In 1992, the company incurred an additional pretax cost of \$26 million due to its adoption of a new accounting standard for nonpension postretirement benefits (see Accounting Changes below). This change largely offset the favorable impact of these cost improvements.

Research and development expenses declined 11 percent in 1992 while increasing four percent in 1991. These changes were caused by the completion of the primary development cycle for certain of the company's major new mailing products which were successfully launched in 1992 as well as cost containment programs. The company, however, continues to significantly invest in new product development focusing on electronic technology and software development.

Net interest expense decreased 12 percent in 1992 and four percent in 1991. These declines resulted from lower interest rates partly offset by slight increases in average borrowing levels related to the financial services segment.

Industry segment operating profit reflects the factors discussed above and in the Financial Services discussion below. Excluding the effects of the nonrecurring copier charge, operating profit of the business equipment segment declined slightly in 1992 and increased 14 percent in 1991. Efficiencies achieved through the 1989 transition initiatives, copier strategy changes and organizational changes in the company's German mailing operation have and should continue to

favorably impact this segment. In 1992, these factors were offset by the incremental cost of over \$20 million, relative to this segment, for the adoption of the new accounting standard for nonpension postretirement benefits. Operating profit of the business supplies and services segment rose 73 percent in 1992 and declined 42 percent in 1991. In 1992, this segment reflected improved sales of marking systems products and higher capacity utilization after being adversely impacted in 1991 by the severe recession in the retail industry. The continued strong revenue growth and significant cost reduction programs implemented at the end of 1991 in the mailroom management business were also reflected in this segment's performance. The financial services segment benefitted from lower interest rates in both 1992 and 1991. However, higher credit loss provisions, particularly outside the U.S., in both of these periods as a result of the recessionary business environment partly offset the benefit of interest rate reductions.

The effective tax rate was 37.0 percent in 1992, 37.6 percent in 1991 and 36.9 percent in 1990. Reduced investment tax credits increased the effective tax rates in both 1992 and 1991. The effective tax rate was favorably affected by higher levels of tax exempt income, both domestically and internationally, and research and development credits in 1992 and, in 1990, the tax benefit of the nonrecurring charge incurred by the copier unit which was subject to a relatively high state tax rate.

Although not affecting income, deferred translation losses amounted to \$60 million in 1992 and \$4 million in 1991; 1990 gains were \$33 million. In both 1992 and 1991, losses resulted from the significant weakening of the British pound and, in 1992, the Canadian dollar. Significant factors causing the gains recorded in 1990 were the strengthening of the British pound and Swiss franc.

Financial Services

The financial services operations provide lease financing for Pitney Bowes products as well as other financial services for the commercial and industrial markets in the U.S., Canada, the U.K., Germany, France and Australia. Condensed financial information of the company's consolidated finance operations is disclosed in note 15 to the consolidated financial statements. The finance operations financed 33 percent of consolidated sales in 1992, 32 percent in 1991 and 31 percent in 1990.

Total financial services revenue amounted to \$633 million in 1992, up three percent from 1991. Total financial services assets increased to \$4.4 billion at year-end 1992, up five percent from \$4.1 billion in 1991 which was up nine percent from \$3.8 billion in 1990. To fund finance assets, borrowings were \$3.0 billion in 1992, \$2.9 billion in 1991 and \$2.7 billion in 1990. Borrowing requirements for the funding of new business were reduced by the proceeds received from the sale of approximately \$200 million, \$260 million and \$310 million of finance assets during 1992, 1991 and 1990, respectively. In addition to the \$600 million of borrowings available under shelf registration statements, the

financial services segment had approximately \$1.8 billion of unused lines of credit at year-end 1992 largely supporting commercial paper borrowings. It has been the company's practice to use a balanced mix of debt maturities, variable- and fixed-rate debt and interest rate swaps to control sensitivity to interest rate volatility.

Nonrecurring Charge

In 1990, the company changed its copier marketing strategy and announced plans to discontinue the remanufacture of used copier equipment. The copier organization now concentrates on new, higher-margin copiers consistent with its marketing strategy directed at serving large corporations and multi-unit installations. Due to this change in strategy and the resultant discontinuance of the equipment remanufacturing process, the company adjusted the estimated useful life of copiers from five years to three years and established a reserve for the disposal of copiers which previously would have been remanufactured, employee severance payments and facility closing costs. The aggregate one-time, pretax charge against 1990 third-quarter earnings was \$86.5 million. As a result of these actions, copier profitability has continued to improve; and it is anticipated that this trend will continue into the future.

Discontinued Operations

In 1992, the company sold its Wheeler Group Inc. ("Wheeler") subsidiary, a direct mail marketer of office supplies. The sale of Wheeler for approximately \$80 million in cash resulted in a \$2.7 million after-tax gain. Wheeler has been classified in the Consolidated Statement of Income as a discontinued operation; revenue and income from continuing operations exclude the results of Wheeler for all periods presented.

Accounting Changes

In the fourth quarter of 1992, the company adopted retroactively to January 1, 1992 Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (FAS 106), which addresses health care and other welfare benefits provided to retirees. FAS 106 required a change from the cash basis of accounting to the accrual basis of accounting for nonpension postretirement benefits. The transition effect of adopting this standard on the immediate recognition basis, which was recorded in the first quarter of 1992, was a one-time, after-tax charge of \$215 million or \$1.35 per share; the 1992 incremental after-tax cost included in 1992 income from continuing operations amounted to \$16 million or \$.10 per share. In early 1993, the company announced several changes to its health care plans which are expected to significantly reduce the ongoing incremental impact of FAS 106 on future earnings. Among these changes was the establishment of plan cost maximums

in order to more effectively control future medical costs. Additional information with respect to accounting for non-pension postretirement benefits is disclosed in note 10 to the consolidated financial statements.

The company also adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (FAS 109), in 1992, which did not significantly affect the company's reported results.

In November 1992, Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" (FAS 112), was issued addressing benefits provided by an employer to former or inactive employees after employment but before retirement. FAS 112 requires that postemployment benefit costs be recognized on the accrual basis of accounting effective for fiscal years beginning after December 15, 1993. Postemployment benefits include the continuation of salary, health care, life insurance and disability-related benefits to former or inactive employees, their beneficiaries and covered dependents. The company has not yet determined the effect of this standard on its results of operations or financial condition. The company will adopt FAS 112 by January 1, 1994, as required.

Liquidity and Capital Resources

The current ratio reflects the company's practice of utilizing a balanced mix of debt maturities to fund finance assets. At December 31, 1992, this ratio was .59 to 1 compared to .65 to 1 at year-end 1991. The change in the ratio was primarily the result of increased income taxes payable and a decline in cash and cash equivalents which were used to repay debt. In addition, the ratio decline reflected the current portion of the non-pension postretirement benefit liability established in 1992 as a result of the company's adoption of FAS 106.

The ratio of total debt to the total of such debt and stockholders' equity was 64.5 percent at December 31, 1992 compared to 62.8 percent at December 31, 1991. The increase in this ratio was primarily due to the 1992 reduction in equity which reflected the company's \$215 million charge for FAS 106's transition effect, repurchase of approximately 2.9 million shares of common stock at a total cost of \$89 million and \$60 million of deferred translation losses. These factors were partly offset by reduced overall borrowing levels reflecting the paydown of debt with the proceeds from the sale of Wheeler and certain financial services assets as well as the successful results of other asset management programs. Continuing emphasis on fee-based financial services' transactions and consideration of the sale of certain financing transactions as well as the reduced growth in large-ticket, longer-term external portfolio placements are expected to continue to slow the growth in finance assets and debt obligations.

As a part of the company's non-financial services shelf registrations, a medium-term note facility was established permitting issuance of up to \$100 million in debt securities

with maturities ranging from more than one year up to 30 years of which \$32 million remain available at December 31, 1992. The company also has an additional \$300 million remaining on shelf registrations filed with the Securities and Exchange Commission. From September 1992 through January 1993, the company repaid \$151 million of notes with interest rates ranging from 8.16 percent to 8.88 percent which matured and were previously issued under these shelf registrations.

In March and April 1992, the company's largest financial services unit, Pitney Bowes Credit Corporation ("PBCC"), issued \$75 million of medium-term notes at interest rates ranging from 6.56 percent to 7.48 percent with maturities between three and five years. PBCC also repaid \$100 million of 7.25 percent notes which matured in March 1992.

In October 1992, PBCC filed a \$500 million shelf registration statement with the Securities and Exchange Commission. This registration statement, together with the carryover of \$100 million from a previous shelf registration, should meet PBCC's long-term financing needs for the next two years. As part of the recently filed shelf registration, PBCC expects to establish a medium-term note facility permitting issuance of up to \$150 million in debt securities having maturities ranging from nine months to 30 years. PBCC also recently established a new \$700 million revolving credit facility which replaced \$445 million of previously existing lines of credit.

At year-end 1992, the company had unused lines of credit and revolving credit facilities totaling approximately \$1.9 billion in the U.S. and \$200 million outside the U.S. largely supporting commercial paper borrowings. Amounts available under credit agreements, shelf registrations and commercial paper and medium-term note programs in addition to cash generated internally are expected to be sufficient to provide for financing needs in the next two years. Information with respect to debt maturities is disclosed in note 5 to the consolidated financial statements.

Capital Investment

During 1992, net investments in fixed assets included \$76 million in net additions to property, plant and equipment and \$134 million in net additions to rental equipment and related inventories compared with \$94 million and \$154 million, respectively, in 1991. These additions included expenditures for normal plant and manufacturing equipment and, in the case of rental equipment, the production of postage

meters and the purchase of facsimile equipment for both new placements and upgrade programs.

At December 31, 1992, commitments for the acquisition of property, plant and equipment reflected plant and manufacturing equipment improvements as well as rental equipment for new and replacement programs.

As previously reported, the company's financial services segment has made senior secured loans and commitments in connection with acquisition, leveraged buyout and recapitalization financings. At December 31, 1992, the company had a total of \$25.2 million of such senior secured loans and commitments outstanding. In connection with such outstanding loans and commitments, the company currently has \$6.8 million of outstanding senior secured loans with a company that has filed under Chapter 11 of the Federal Bankruptcy Code. The company expects recovery of substantially all the carrying value of its investments due to the senior secured nature of the loans. The company has not participated in unsecured or subordinated debt financing in any highly leveraged transactions.

Effects of Inflation

Inflation rates, even though moderate in recent years, continue to have an effect on worldwide economies and the way companies operate. In addition to increasing labor costs and operating expenses, the company is also impacted by the higher costs associated with replacement of fixed assets and especially rental equipment assets. In the face of increasing costs, the company has generally been able to maintain profit margins through productivity and efficiency improvements, continual review of both manufacturing capacity and operating expense levels and, to an extent, price increases. The efficiencies resulting from the 1989 transition initiatives, new copier strategy and continuing cost containment programs have helped combat the negative impacts of inflation.

Dividend Policy

It is the policy of the Pitney Bowes board of directors to pay a cash dividend on common stock each quarter when feasible. In setting dividend payments, the board considers the dividend rate in relation to the company's recent and projected earnings and its capital investment opportunities and requirements. Pitney Bowes has paid a dividend each year since 1934.

Summary of Selected Financial Data

Pitney Bowes Inc.

(Dollars in thousands, except per share data)

Years ended December 31	1992	1991*	1990*	1989*	1988*
Total revenue	\$3,434,124	\$3,332,497	\$3,195,550	\$2,875,685	\$2,575,652
Costs and expenses	2,938,772	2,870,908	2,781,406	2,504,628	2,222,694
Nonrecurring charges	—	—	86,500	110,000	—
Income from continuing operations before income taxes	495,352	461,589	327,644	261,057	352,958
Provision for income taxes	183,184	173,730	120,995	80,947	122,560
Income from continuing operations	312,168	287,859	206,649	180,110	230,398
Discontinued operations	2,700	7,440	6,646	6,609	12,960
Effect of accounting changes	(214,631)	—	—	66,048	—
Net income	\$ 100,237	\$ 295,299	\$ 213,295	\$ 252,767	\$ 243,358
Income per common and common equivalent share:					
Continuing operations	\$ 1.96	\$1.80	\$1.30	\$1.14	\$1.46
Discontinued operations	.02	.05	.04	.04	.08
Effect of accounting changes	(1.35)	—	—	.41	—
Net income	\$.63	\$1.85	\$1.34	\$1.59	\$1.54
Total dividends on common, preference and preferred stock	\$123,112	\$107,948	\$94,819	\$81,718	\$72,055
Dividends per share of common stock	\$.78	\$.68	\$.60	\$.52	\$.46
Average common and common equivalent shares outstanding	159,235,412	159,954,680	159,249,760	158,646,092	157,999,336
Balance sheet at December 31					
Total assets	\$6,498,752	\$6,380,580	\$6,060,545	\$5,611,115	\$4,788,362
Long-term debt	\$1,015,401	\$1,058,763	\$1,099,396	\$1,369,338	\$1,059,157
Capital lease obligations	\$32,161	\$35,755	\$36,560	\$42,002	\$42,637
Stockholders' equity	\$1,652,881	\$1,800,683	\$1,589,414	\$1,428,327	\$1,269,177
Book value per common share	\$10.50	\$11.31	\$10.07	\$9.07	\$8.08
Ratios					
Profit margin-continuing operations:					
Pretax earnings	14.4%	13.9%	10.3%	9.1%	13.7%
After-tax earnings	9.1%	8.6%	6.5%	6.3%	8.9%
Return on stockholders' equity – continuing operations	18.9%	16.0%	13.0%	12.6%	18.2%
Debt to total capital	64.5%	62.8%	65.4%	66.3%	63.5%
Other					
Common stockholders of record	30,828	29,588	31,323	31,383	34,687
Total employees	28,958	29,421	29,942	31,404	29,316
Postage meters in service, U.S., U.K. and Canada	1,413,448	1,393,774	1,386,387	1,354,501	1,302,879

*Restated to reflect two-for-one stock split.

See notes, pages 31 through 39

Consolidated Statement of Income

Pitney Bowes Inc.

(Dollars in thousands, except per share data)

Years ended December 31	1992	1991*	1990*
Revenue from:			
Sales	\$1,593,956	\$1,546,685	\$1,539,414
Rentals and financing	1,321,364	1,277,551	1,184,105
Support services	518,804	508,261	472,031
Total revenue	3,434,124	3,332,497	3,195,550
Costs and expenses:			
Cost of sales	838,734	806,649	790,312
Cost of rentals and financing	405,307	371,609	328,527
Selling, service and administrative	1,377,959	1,334,906	1,300,367
Research and development	101,620	113,973	109,344
Interest expense	227,257	258,116	264,473
Interest income	(12,105)	(14,345)	(11,617)
Nonrecurring charge	—	—	86,500
Total costs and expenses	2,938,772	2,870,908	2,867,906
Income from continuing operations before income taxes	495,352	461,589	327,644
Provision for income taxes	183,184	173,730	120,995
Income from continuing operations	312,168	287,859	206,649
Discontinued operations	2,700	7,440	6,646
Income before effect of a change in accounting for nonpension postretirement benefits	314,868	295,299	213,295
Effect of a change in accounting for nonpension postretirement benefits	(214,631)	—	—
Net income	\$ 100,237	\$ 295,299	\$ 213,295
Income per common and common equivalent share:			
Continuing operations	\$ 1.96	\$1.80	\$1.30
Discontinued operations	.02	.05	.04
Effect of a change in accounting for nonpension postretirement benefits	(1.35)	—	—
Net income	\$.63	\$1.85	\$1.34

*Restated to reflect two-for-one stock split.

See notes, pages 31 through 39

Consolidated Balance Sheet

Pitney Bowes Inc.

(Dollars in thousands)

December 31	1992	1991
Assets		
Current assets:		
Cash and cash equivalents	\$ 71,016	\$ 113,528
Short-term investments, at cost which approximates market	2,043	4,943
Accounts receivable, less allowances:		
1992, \$16,578; 1991, \$17,786	381,992	404,741
Finance receivables, less allowances:		
1992, \$30,145; 1991, \$26,219	980,392	983,052
Inventories	344,382	342,122
Other current assets and prepayments	58,903	87,136
Total current assets	1,838,728	1,935,522
Property, plant and equipment, net	552,697	574,914
Rental equipment and related inventories, net	599,867	616,222
Property leased under capital leases, net	16,596	19,742
Long-term finance receivables, less allowances:		
1992, \$66,830; 1991, \$62,484	2,901,393	2,768,220
Goodwill, net of amortization:		
1992, \$27,704; 1991, \$34,899	142,106	154,793
Other assets	447,365	311,167
Total assets	\$6,498,752	\$6,380,580
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 614,936	\$ 581,667
Income taxes payable	213,757	146,014
Notes payable and current portion of long-term obligations	1,953,993	1,949,291
Advance billings	313,856	318,474
Total current liabilities	3,096,542	2,995,446
Deferred taxes on income	336,933	489,933
Long-term debt	1,015,401	1,058,763
Other noncurrent liabilities	396,995	35,755
Total liabilities	4,845,871	4,579,897
Stockholders' equity:		
Cumulative preferred stock, \$50 par value, 4% convertible	107	113
Cumulative preference stock, no par value, \$2.12 convertible	3,161	4,417
Common stock, \$2 par value (240,000,000 shares authorized; 161,668,956 shares issued)	323,338	161,669
Capital in excess of par value	—	157,449
Retained earnings	1,463,121	1,494,772
Cumulative translation adjustments	(27,211)	33,208
Treasury stock, at cost (4,494,217 shares)	(109,635)	(50,945)
Total stockholders' equity	1,652,881	1,800,683
Total liabilities and stockholders' equity	\$6,498,752	\$6,380,580

See notes, pages 31 through 39

Consolidated Statement of Cash Flows

(Dollars in thousands)

Pitney Bowes Inc.

Years ended December 31	1992	1991	1990
Cash flows from operating activities:			
Net income	\$ 100,237	\$ 295,299	\$ 213,295
Effect of a change in accounting for nonpension postretirement benefits	214,631	—	—
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	250,773	238,107	220,594
Nonrecurring charges, net	(7,208)	(21,295)	6,630
(Decrease) increase in deferred taxes on income	(8,679)	46,758	(25,875)
Change in assets and liabilities:			
Accounts receivable	9,791	10,664	1,410
Sales-type lease receivables	(99,528)	(125,587)	(119,070)
Inventories	(19,370)	37,698	28,759
Other current assets and prepayments	(2,298)	(26,340)	(14,657)
Accounts payable and accrued liabilities	32,808	42,468	86,485
Income taxes payable	64,830	(12,938)	57,757
Advance billings	977	16,821	22,148
Other, net	(36,861)	(15,284)	16,224
Net cash provided by operating activities	500,103	486,371	493,700
Cash flows from investing activities:			
Short-term investments	2,900	(4,081)	(783)
Net investment in fixed assets	(224,563)	(250,412)	(322,680)
Net investment in direct-finance lease receivables	(115,077)	(105,746)	(142,733)
Investment in leveraged leases	(60,964)	(55,157)	(77,014)
Proceeds from sale of subsidiaries	80,000	—	14,743
Net assets of company acquired	(15,639)	—	—
Net cash used in investing activities	(333,343)	(415,396)	(528,467)
Cash flows from financing activities:			
Increase in notes payable	202,666	99,027	307,021
Proceeds from long-term obligations	100,200	195,000	93,728
Principal payments on long-term obligations	(318,540)	(239,920)	(257,744)
Proceeds from issuance of stock	23,827	18,654	19,191
Stock repurchases	(89,392)	—	(21,467)
Dividends paid	(123,112)	(107,948)	(94,819)
Net cash (used) provided by financing activities	(204,351)	(35,187)	45,910
Effect of exchange rate changes on cash	(4,921)	(1,318)	6,917
(Decrease) increase in cash and cash equivalents	(42,512)	34,470	18,060
Cash and cash equivalents at beginning of year	113,528	79,058	60,998
Cash and cash equivalents at end of year	\$ 71,016	\$ 113,528	\$ 79,058
Interest paid	\$ 226,892	\$ 237,639	\$ 276,718
Income taxes paid	\$ 126,865	\$ 146,996	\$ 80,449

See notes, pages 31 through 39

Consolidated Statement of Stockholders' Equity

Pitney Bowes Inc.

(Dollars in thousands)

	Preferred stock	Preference stock	Common stock	Capital in excess of par value	Retained earnings	Cumulative translation adjustments	Treasury stock, at cost
Balance, January 1, 1990	\$226	\$ 5,821	\$161,610	\$ 150,286	\$1,188,945	\$ 3,911	\$ (82,472)
Net income – 1990					213,295		
Cash dividends:							
Preferred (\$2.00 per share)					(6)		
Preference (\$2.12 per share)					(423)		
Common (\$.60 per share)*					(94,390)		
Issuances under dividend reinvestment and stock plans			30	1,046			16,352
Conversions to common stock	(90)	(658)	29	(2,480)			3,199
Conversions of debt				(77)			110
Issuance for company acquired				2,818			9,001
Repurchase of common stock							(21,467)
Translation adjustments						33,035	
Tax credits relating to stock options				1,763			
Balance, December 31, 1990	136	5,163	161,669	153,356	1,307,421	36,946	(75,277)
Net income – 1991					295,299		
Cash dividends:							
Preferred (\$2.00 per share)					(4)		
Preference (\$2.12 per share)					(364)		
Common (\$.68 per share)*					(107,580)		
Issuances under dividend reinvestment and stock plans				6,531			19,973
Conversions to common stock	(23)	(746)		(3,194)			3,963
Conversions of debt				(59)			84
Issuance for company acquired				213			312
Translation adjustments						(3,738)	
Tax credits relating to stock options				602			
Balance, December 31, 1991	113	4,417	161,669	157,449	1,494,772	33,208	(50,945)
Net income – 1992					100,237		
Cash dividends:							
Preferred (\$2.00 per share)					(4)		
Preference (\$2.12 per share)					(277)		
Common (\$.78 per share)					(122,831)		
Issuances under dividend reinvestment and stock plans				244	867		21,444
Conversions to common stock	(6)	(1,256)		(2,460)	(4,514)		8,236
Conversions of debt				(250)			320
Issuance for company acquired				12	195		702
Repurchase of common stock							(89,392)
Translation adjustments						(60,419)	
Tax credits relating to stock options				1,350			
Two-for-one stock split			161,669	(156,345)	(5,324)		
Balance, December 31, 1992	\$107	\$ 3,161	\$323,338	\$ –	\$1,463,121	\$(27,211)	\$(109,635)

*Restated to reflect two-for-one stock split.

See notes, pages 31 through 39

Notes to Consolidated Financial Statements

Pitney Bowes Inc.

(Dollars in thousands, except per share data or as otherwise indicated)

1. Summary of significant accounting policies

Consolidation. The consolidated financial statements include the accounts of Pitney Bowes Inc. and all of its subsidiaries ("the company"). All significant intercompany transactions have been eliminated.

Cash equivalents. Cash equivalents include short-term, highly liquid investments with a maturity of three months or less from date of acquisition.

Inventory valuation. Inventories are valued at the lower of cost or market. Cost is determined on the last-in, first-out (LIFO) basis for most domestic inventories, and the first-in, first-out (FIFO) basis for most foreign inventories.

Fixed assets and depreciation. Property, plant and equipment are stated at cost. Major improvements which add to productive capacity or extend the life of an asset are capitalized while repairs and maintenance are charged to expense as incurred. Rental equipment is depreciated on the straight-line method. Other depreciable assets are depreciated using either the straight-line method or accelerated methods. Properties leased under capital leases are amortized on a straight-line basis over the primary lease terms.

Rental arrangements and advance billings. The company rents equipment to its customers, primarily postage meters and mailing, shipping, copier and facsimile systems under short-term rental agreements, generally for periods of three months to three years. Charges for equipment rental and maintenance contracts are billed in advance; the related revenue is included in advance billings and taken into income as earned.

Financing transactions. At the time a finance transaction is consummated, the company's finance operations record the gross receivable, unearned income and the estimated residual value of leased equipment. Unearned income represents the excess of the gross receivable plus the estimated residual value over the cost of equipment or contract acquired. Unearned income is recognized as financing income using the interest method over the term of the transaction and is included in rentals and financing revenue in the Consolidated Statement of Income. Initial direct costs incurred in consummating a transaction are accounted for as part of the investment in a lease and amortized to income using the interest method over the term of the lease.

In establishing the provision for credit losses, the company has successfully utilized an asset based percentage. This percentage varies depending on the nature of the asset, recent historical experience, vendor recourse, management judgement and the credit rating of the respective customer. The company evaluates the collectibility of its net investment in finance receivables based upon its loss experience and assessment of prospective risk, and does so through ongoing reviews of its exposures to net asset impairment. The carrying value of its net investment in finance receivables is adjusted to the estimated collectible amount through adjustments to the allowance for credit losses. Finance receivables are charged to the allowance for credit losses after collection efforts are exhausted and the account is deemed uncollectible.

The company's general policy is to discontinue income recognition for finance receivables contractually past due for over 90 to 120 days depending on the nature of the transaction. Resumption of income recognition occurs when payments are reduced to 60 days or less past due. However, large-ticket external transactions

are reviewed on an individual basis. Income recognition is normally discontinued as soon as it is apparent that the obligor will not be making payments in accordance with lease terms and resumed after the company has sufficient experience on resumption of payments to be satisfied that such payments will continue in accordance with the original or restructured contract terms.

Goodwill. Goodwill represents the excess of cost over the value of net tangible assets acquired in business combinations and is amortized using the straight-line method over appropriate periods, principally 40 years.

Revenue. Sales revenue is recognized when a product is shipped.

Costs and expenses. Operating expenses of field sales and service offices are included in selling, service and administrative expenses because no meaningful allocation of such expenses to cost of sales, rentals and financing or support services is practicable.

Income taxes. Effective January 1, 1992, the company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (FAS 109). Income tax information is disclosed in note 8.

Deferred taxes on income result principally from expenses not currently recognized for tax purposes, the excess of tax over book depreciation, deferral of lease revenue and gross profits on sales to finance subsidiaries.

For tax purposes, income from leases is recognized under the operating method and represents the difference between gross rentals billed and operating expenses.

It has not been necessary to provide for income taxes on \$419 million of cumulative undistributed earnings of subsidiaries outside the United States. These earnings will be either indefinitely reinvested or remitted substantially free of additional tax. Determination of the liability that would result in the event all of these earnings were remitted to the United States is not practicable. It is estimated, however, that withholding taxes on such remittances would approximate \$27 million.

Investment tax credits recognized on transitional property have been accounted for using the flow-through method.

Nonpension postretirement benefits. Effective January 1, 1992, the company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (FAS 106). Nonpension postretirement benefit information is disclosed in note 10.

Income per share. Income per share is based on the weighted average number of common and common equivalent shares outstanding during the year. Common equivalent shares include preference stock, stock option and purchase plan shares and convertible debt.

Deposits in trust. The company's customers electing the use of the Pitney Bowes Postage By Phone® meter setting system, a computerized system developed by the company for the resetting of postage meters via telephone, are required to make deposits with a trustee to cover expected postage usage. Such funds, which are not available to the company, are transferred to the respective postal services upon resettings of meters for which the company receives fees. Deposits in trust are not included in the company's Consolidated Balance Sheet.

Foreign currency translation. Assets and liabilities of subsidiaries operating outside the U.S. have been translated at rates in effect at the end of the period, and revenues and expenses were translated at average rates during the period. Net deferred translation gains and losses are accumulated in stockholders' equity.

The company enters into forward foreign exchange contracts primarily to hedge certain firm foreign currency commitments. Gains and losses are deferred and recognized as part of the cost of the underlying transaction being hedged. Gains and losses related to changes in the value of speculative contracts are recognized in income currently. At December 31, 1992, the company had approximately \$271.8 million of forward exchange contracts outstanding, maturing through 1996, to buy or sell various currencies.

Foreign currency transaction and translation gains and (losses) were \$4.0 million, \$0.6 million and \$(0.9) million in 1992, 1991 and 1990, respectively.

2. Inventories

Inventories consist of the following:

December 31	1992	1991
Raw materials and work in process	\$ 91,730	\$102,276
Supplies and service parts	92,961	93,132
Finished products	159,691	146,714
Total	\$344,382	\$342,122

Had all inventories valued at LIFO been stated at current costs, inventories would have been \$46.2 million higher than reported at December 31, 1992 and 1991.

3. Fixed assets

December 31	1992	1991
Land	\$ 38,251	\$ 39,233
Buildings	300,305	302,353
Machinery and equipment	736,712	740,456
Accumulated depreciation	1,075,268 (522,571)	1,082,042 (507,128)
Property, plant and equipment, net	\$ 552,697	\$ 574,914
Rental equipment and related inventories	\$1,323,702	\$1,285,007
Accumulated depreciation	(723,835)	(668,785)
Rental equipment and related inventories, net	\$ 599,867	\$ 616,222
Property leased under capital leases	\$ 47,827	\$ 49,702
Accumulated amortization	(31,231)	(29,960)
Property leased under capital leases, net	\$ 16,596	\$ 19,742

4. Current liabilities

Accounts payable and accrued liabilities and notes payable and current portion of long-term obligations are comprised as follows:

December 31	1992	1991
Accounts payable-trade	\$ 150,435	\$ 159,938
Accrued salaries, wages and commissions	89,841	93,205
Accrued pension benefits	93,960	94,264
Accrued nonpension postretirement benefits	15,500	—
Miscellaneous accounts payable and accrued liabilities	265,200	234,260
Accounts payable and accrued liabilities	\$ 614,936	\$ 581,667
Notes payable and overdrafts	\$1,809,245	\$1,628,386
Current portion of long-term debt	141,649	318,088
Current portion of capital lease obligations	3,099	2,817
Notes payable and current portion of long-term obligations	\$1,953,993	\$1,949,291

In countries outside the U.S., banks generally lend to non-finance subsidiaries of the company on an overdraft or term-loan basis. These overdraft arrangements and term loans, for the most part, are extended on an uncommitted basis by banks, and do not require compensating balances or commitment fees.

Notes payable of the company's U.S. operations and financial services segment were issued as commercial paper, loans against bank lines of credit, or to trust departments of banks and others at below prevailing prime rates. Fees paid to maintain lines of credit were \$2.3 million, \$1.5 million and \$1.2 million in 1992, 1991 and 1990, respectively.

At December 31, 1992, notes payable and overdrafts outside the U.S. totaled \$334.3 million and U.S. notes payable totaled \$1.5 billion. Unused credit facilities outside the U.S. totaled \$199.3 million at December 31, 1992 of which \$172.1 million were for finance operations. In the U.S., the company had \$1.9 billion of unused credit facilities in place at December 31, 1992 largely in support of commercial paper borrowings of which \$1.7 billion were for the finance operations.

The company periodically enters into interest rate swap and swap option agreements as a means of managing interest rate exposure. At December 31, 1992, the company had outstanding interest rate swap agreements with notional principal amounts of \$1.1 billion. Under the agreements, with terms expiring at various dates from 1993 to 2004, the company exchanges rates between fixed-rate debt with rates ranging from 4.28% to 12.99% and commercial paper rates. The interest differential to be paid or received under swap agreements is recorded on the accrual basis as an adjustment to interest expense. The company has also written interest rate swap options in connection with various debt financings. These options grant the counterparty the option of selecting a fixed or variable interest rate at a future point in time. The company carries these interest rate swap options at market value. At December 31, 1992, the company had swap options outstanding on \$270.2 million notional principal amounts.

5. Long-term debt

December 31	1992	1991
Non-financial services debt:		
8.88% notes due 1993	–	\$ 99,930
7.24% to 8.72% notes due 1993-1995	\$ 41,250	66,500
Other, various due dates (5.50% to 9.50%)	917	1,304
	42,167	167,734
Financial services debt:		
Senior notes:		
6.56% to 7.48% notes due 1995-1997	75,000	–
8.75% notes due 1996	75,000	75,000
10.13% notes due 1997	100,000	100,000
10.65% notes due 1999	100,000	100,000
8.80% notes due 2003	150,000	150,000
8.63% notes due 2008	100,000	100,000
9.25% notes due 2008	100,000	100,000
8.55% notes due 2009	150,000	150,000
Subordinated debt:		
12.75% notes due through 1994	740	1,450
Canadian dollar notes due 1993-2000 (8.47% to 12.50%)	103,990	101,154
German mark notes due 1993-1994 (8.95% to 9.50%)	891	4,601
French franc notes due 1993-1994 (9.88% to 10.30%)	5,225	2,850
Other, various due dates (2.00% to 10.50%)	12,388	5,974
Total long-term debt	\$1,015,401	\$1,058,763

The company has a medium-term note facility which was established as a part of the company's shelf registrations, permitting issuance of up to \$100 million in debt securities of which \$32 million remain available. Securities issued under this medium-term note facility would have maturities ranging from more than one year up to 30 years. The company also has an additional \$300 million remaining on shelf registrations filed with the Securities and Exchange Commission.

In October 1992, Pitney Bowes Credit Corporation ("PBCC") filed a \$500 million shelf registration statement with the Securities and Exchange Commission. As part of the recently filed shelf registration, PBCC expects to establish a medium-term note facility permitting issuance of up to \$150 million in debt securities having maturities ranging from nine months to 30 years.

The annual maturities of the outstanding debt during each of the next five years are as follows: 1993, \$141.6 million; 1994, \$86.5 million; 1995, \$70.0 million; 1996, \$81.8 million and 1997, \$151.2 million.

Under terms of their senior and subordinated loan agreements, certain of the finance operations are required to maintain earnings before taxes and interest charges at prescribed levels. With respect to such loan agreements, the company will endeavor to have these finance operations maintain compliance with such terms and, under certain loan agreements, is obligated, if necessary, to pay to these finance operations amounts sufficient to maintain a prescribed ratio of income available for fixed charges. The company has not been required to make any such payments to maintain income available for fixed charge coverage. The company does not guarantee payment of any of the finance operations' obligations.

6. Capital stock and capital in excess of par value

On May 11, 1992, the company's stockholders voted to amend the Restated Certificate of Incorporation to increase the number of authorized common shares from 120,000,000 to 240,000,000 shares. This action effected a two-for-one split of the company's common stock as previously approved by the company's board of directors

and, accordingly, all previously reported common share and per common share data has been restated.

At December 31, 1992, 240,000,000 shares of common stock, 600,000 shares of preferred stock, and 5,000,000 shares of preference stock were authorized, and 157,174,739 shares of common stock (net of 4,494,217 shares of treasury stock), 2,146 shares of preferred stock and 116,734 shares of preference stock were issued and outstanding. The balance of unreserved and unissued preferred stock (597,854 shares) and preference stock (4,883,266 shares) may be issued in the future by the board of directors, which will determine the dividend rate, terms of redemption, terms of conversion (if any) and other pertinent features. Unreserved and unissued common stock (exclusive of treasury stock) at December 31, 1992 amounted to 65,343,260 shares.

The preferred stock outstanding, which is entitled to cumulative dividends at the rate of \$2 per year, is redeemable at the option of the company, in whole or in part at any time, at the price of \$50 per share, plus dividends accrued to the redemption date. Each share of the cumulative preferred stock is convertible into 12.12 shares of common stock, subject to adjustment in certain events.

The \$2.12 preference stock is entitled to cumulative dividends at the rate of \$2.12 per year and is redeemable at the option of the company at the rate of \$28 per share. Each share of the \$2.12 convertible preference stock is convertible into eight shares of common stock, subject to adjustment in certain events.

At December 31, 1992, an aggregate of 983,890 shares of common stock was reserved for issuance upon conversion of the preferred stock (26,010 shares) and \$2.12 preference stock (957,880 shares). In addition, 1,822,934 shares of common stock were reserved for issuance under the company's dividend reinvestment and other corporate plans.

Each share of common stock outstanding has attached one preference share purchase right. The rights, which are subject to certain anti-dilution adjustments, become exercisable in certain circumstances, after which they will entitle the holder to purchase 1/400 of a share of newly created series A junior participating preference stock. If, after the rights become exercisable, the company is involved in a merger or certain other transactions, the holder will be entitled to buy stock in the surviving company at a 50 percent discount.

7. Stock plans

Transactions under the company's stock plans are summarized below:

Common stock	Shares	Price per share
January 1, 1991, shares reserved	2,050,668	\$ 4-\$26
Shares offered 1991 (price approximates market value at date of grant)	1,093,084	\$25-\$30
Shares issued 1991	(856,280)	\$ 4-\$30
Shares canceled 1991	(92,410)	\$21-\$30
December 31, 1991, shares reserved	2,195,062	\$ 4-\$30
Shares offered 1992 (price approximates market value at date of grant)	1,041,175	\$29-\$38
Shares issued 1992	(817,303)	\$ 4-\$38
Shares canceled 1992	(131,170)	\$24-\$31
December 31, 1992, shares reserved	2,287,764	\$ 7-\$36

Of the common shares reserved at December 31, 1992, options for 861,679 are exercisable. At December 31, 1992, there remain 2,211,199 common shares for which rights to purchase may be granted under the stock purchase plans. In addition, stock-based awards representing up to 5,681,997 common shares may be granted under other stock plans.

8. Taxes on income

In the fourth quarter of 1992, the company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (FAS 109), effective retroactively to January 1, 1992. FAS 109 superseded Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes" (FAS 96), which was adopted by the company as of January 1, 1989. Application of FAS 109 required no cumulative effect adjustment primarily due to the company's previous use of the liability method of accounting for income taxes prescribed by FAS 96. The adoption of this new standard had no significant effect on the company's tax provision for 1992.

In accordance with FAS 109, the deferred tax provision was determined under the liability method. Deferred tax assets and liabilities were recognized based on differences between the book and tax bases of assets and liabilities using presently enacted tax rates. The provision for income taxes is the sum of the amount of income tax paid or payable for the year as determined by applying the provisions of enacted tax laws to the taxable income for that year and the net change during the year in the company's deferred tax assets and liabilities.

Income from continuing operations before income taxes and the provision for income taxes consist of the following:

Years ended December 31	1992	1991	1990
Income from continuing operations before income taxes:			
U.S.	\$400,509	\$346,939	\$227,051
Outside the U.S.	94,843	114,650	100,593
Total	\$495,352	\$461,589	\$327,644
Provision for income taxes:			
U.S. federal:			
Currently payable	\$ 66,703	\$ 58,322	\$ 43,874
Investment tax credit	—	(986)	(2,812)
Deferred	50,057	43,678	18,821
	116,760	101,014	59,883
U.S. state and local:			
Currently payable	16,556	10,444	5,936
Deferred	15,532	18,097	12,393
	32,088	28,541	18,329
Outside the U.S.:			
Currently payable	32,536	41,704	42,258
Deferred	1,800	2,471	525
	34,336	44,175	42,783
Total currently payable	115,795	109,484	89,256
Total deferred	67,389	64,246	31,739
Total	\$183,184	\$173,730	\$120,995

The Tax Reform Act of 1986 rescinded the investment tax credit effective January 1, 1986. However, certain investment tax credits were allowable under transitional rules.

Deferred tax liabilities and (assets)		
December 31	1992	1991
Deferred tax liabilities:		
Depreciation	\$ 40,229	\$ 43,023
Deferred profit (for tax purposes) on sales to finance subsidiaries	256,077	225,700
Lease revenue and related depreciation	510,599	469,140
Other	19,935	11,346
Gross deferred tax liabilities	826,840	749,209
Deferred tax assets:		
Nonpension postretirement benefits	(150,101)	—
Pension liability	(26,213)	(26,281)
Inventory and equipment capitalization	(21,225)	(20,315)
Foreign net operating loss carryforwards	(29,365)	—
Alternative minimum tax (AMT) credit carryforwards	(84,884)	(84,884)
Other	(53,419)	(54,986)
Valuation allowance	28,800	—
Gross deferred tax assets	(336,407)	(186,466)
Total	\$ 490,433	\$ 562,743

Total deferred taxes include \$153.5 million and \$72.8 million for 1992 and 1991, respectively, of current deferred taxes which are included in income taxes payable in the Consolidated Balance Sheet.

Upon adoption of FAS 109, the company recorded a deferred tax asset representing the tax benefit of foreign net operating loss carryforwards. This treatment was previously prohibited under FAS 96. However, such deferred tax asset was largely reduced by a valuation allowance and a minimal tax benefit thus recognized. Approximately \$59.0 million of foreign net operating loss carryforwards were available at December 31, 1992. These losses as well as the company's alternative minimum tax credit can be carried forward indefinitely.

A reconciliation of the U.S. federal statutory rate to the company's effective tax rate follows:

Percent of pretax income	1992	1991	1990
U.S. federal statutory rate	34.0%	34.0%	34.0%
Investment tax credit	—	(0.2)	(0.9)
State and local income taxes	4.3	4.1	3.7
Foreign taxes in excess of U.S. federal rate	0.4	1.1	2.6
Research and development credits and other	(1.7)	(1.4)	(2.5)
Effective income tax rate	37.0%	37.6%	36.9%

9. Retirement plans

The company has several defined benefit and defined contribution pension plans covering substantially all employees worldwide. Benefits are primarily based on employees' compensation and years of service. Company contributions are determined based on the funding requirements of U.S. federal and other governmental laws and regulations.

Total pension expense amounted to \$44.8 million in 1992, \$33.1 million in 1991 and \$27.4 million in 1990. Net pension expense for defined benefit plans for 1992, 1991 and 1990 included the following components:

	United States			Foreign		
	1992	1991	1990	1992	1991	1990
Service cost – benefits earned during period	\$ 27,319	\$ 25,843	\$ 22,042	\$ 6,913	\$ 7,943	\$ 8,664
Interest cost on projected benefit obligations	56,133	46,452	42,391	10,005	9,736	9,438
Actual return on assets	(37,861)	(100,173)	12,252	(2,684)	(21,211)	12,543
Net (deferral) and amortization	(11,085)	55,368	(54,585)	(10,978)	8,092	(26,543)
Net periodic defined benefit pension expense	\$ 34,506	\$ 27,490	\$ 22,100	\$ 3,256	\$ 4,560	\$ 4,102

The funded status at December 31, 1992 and 1991 for the company's defined benefit plans was:

	United States		Foreign	
	1992	1991	1992	1991
Actuarial present value of:				
Vested benefits	\$442,606	\$380,715	\$ 85,619	\$ 95,911
Accumulated benefit obligations	\$495,766	\$428,404	\$ 85,663	\$ 95,709
Projected benefit obligations	\$707,685	\$607,380	\$107,970	\$121,244
Plan assets at fair value, primarily stocks and bonds, adjusted by:	584,078	536,791	112,289	135,094
Unrecognized net loss (gain)	35,597	5,070	(1,003)	(5,256)
Unrecognized net asset	(26,566)	(29,961)	(23,160)	(29,695)
Unamortized prior service costs from plan amendments	35,807	18,309	11,551	8,868
	628,916	530,209	99,677	109,011
Net pension liability	\$ 78,769	\$ 77,171	\$ 8,293	\$ 12,233

Assumptions for defined benefit plans*:

Discount rate	8.50%	8.50%	8.0%-9.5%	7.0%-9.5%
Rate of increase in future compensation levels	6.00%	6.00%	4.0%-7.0%	4.0%-7.0%
Expected long-term rate of return on plan assets	9.50%	9.50%	8.5%-10.0%	8.5%-10.0%

*Pension costs are determined using assumptions as of the beginning of the year while the funded status of the plans is determined using assumptions as of the end of the year

10. Nonpension postretirement and postemployment benefits

The company provides certain health care and life insurance benefits to eligible retirees and their dependents. It is the company's practice to fund amounts for these nonpension postretirement benefits, primarily health care, as incurred. Substantially all of the company's U.S. and Canadian employees become eligible for retiree health care benefits after reaching age 55 and with the completion of the required service period.

In the fourth quarter of 1992, the company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (FAS 106). This statement requires that the cost of these benefits be recognized over the period the employee provides credited service to the company rather than recognized on a cash basis, when incurred.

The transition effect of adopting FAS 106 on the immediate recognition basis has been retroactively reflected as of January 1, 1992, as a one-time, after-tax charge of \$214.6 million (net of approximately \$139.7 million of income taxes), or \$1.35 per share. Application of this new standard resulted in additional 1992 annual expenses, which totaled \$26.0 million before taxes and \$15.6 million after taxes, or \$0.10 per share. Previously reported 1992 quarterly results have been restated to reflect the adoption of FAS 106. Subsequent to December 31, 1992, the company announced certain changes to its health care plans, including plan cost maximums, which should significantly reduce the ongoing incremental impact of FAS 106 on future earnings.

Net nonpension postretirement benefit costs consisted of the following components:

Year ended December 31	1992
Service cost-benefits earned during the period	\$12,554
Interest cost on accumulated postretirement benefit obligations	28,035
Net periodic postretirement benefit costs	\$40,589

Prior to the company's adoption of FAS 106, net nonpension postretirement benefit costs for 1991 and 1990 were \$11.9 million and \$9.7 million, respectively.

The company's nonpension postretirement benefit plans are not funded. The status of the plans was as follows:

December 31	1992
Accumulated postretirement benefit obligations:	
Retirees and dependents	\$168,024
Fully eligible active plan participants	43,187
Other active plan participants	169,123
Accrued nonpension postretirement benefits	\$380,334

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligations was 14% in 1992 gradually declining to 6% by the year 2000 and remaining at that level thereafter. A one-percentage-point increase in the assumed health care cost trend rate for each year would increase the accumulated postretirement benefit obligations as of December 31, 1992 by 16% and the net periodic postretirement health care cost for 1992 by 19%.

The assumed discount rate used in determining the accumulated postretirement benefit obligations was 8.5%.

In November 1992, Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" (FAS 112), was issued addressing benefits provided by an employer to former or inactive employees after employment but before retirement. FAS 112 requires that postemployment benefit costs be recognized on the accrual basis of accounting effective for fiscal years beginning after December 15, 1993. Postemployment benefits include the con-

tinuation of salary, health care, life insurance and disability-related benefits to former or inactive employees, their beneficiaries and covered dependents. The company has not yet determined the effect of this standard on its results of operations or financial condition. The company will adopt FAS 112 by January 1, 1994, as required.

11. Discontinued operations

In July 1992, the company sold its Wheeler Group Inc. ("Wheeler") subsidiary for approximately \$80 million in cash to a group consisting of the subsidiary's management and Butler Capital Corporation. As part of the transaction, the company also invested \$4 million in preferred stock with warrants to purchase up to 16 percent of the common stock of the new entity. The sale resulted in a gain of \$2.7 million, net of \$13.5 million of income taxes.

The Wheeler divestiture was expected to result in a gain at closing, accordingly, the 1992 quarterly seasonal losses Wheeler incurred on \$25.9 million of revenue for the seven months ended July 31, 1992 were deferred and offset against the gain on the sale. Summary results of Wheeler's operations prior to 1992, which have been classified separately, were as follows:

Years ended December 31	1991	1990
Revenue	\$70,284	\$71,434
Income before income taxes	\$12,230	\$11,008
Provision for income taxes	4,790	4,362
Net income	\$ 7,440	\$ 6,646

12. Nonrecurring charges

In December 1989, the company announced a series of transition initiatives designed to improve the company's competitiveness, enhance business focus and allow for the transition to a new generation of advanced systems products. In support of these initiatives, the company recorded a one-time, pretax charge of \$110 million against fourth-quarter 1989 earnings. The three-year transition program included a reduction in the company's worldwide workforce approximating 1,500 positions, a change of employee skill mix, a reduction in the number of product distribution centers and a streamlining of administrative systems and equipment service organizations. The company also established a dedicated U.S. copier division responsible for sourcing, selling, marketing, servicing and supporting the company's copier products.

In September 1990, the company changed its copier marketing strategy and announced plans to discontinue the remanufacture of used copier equipment. The copier organization now concentrates on new, higher-margin copiers consistent with its marketing strategy directed at serving large corporations and multi-unit installations. Due to this change in strategy and the resultant discontinuance of the equipment remanufacturing process, the company adjusted the estimated useful life of copiers from five years to three years and established a reserve for the disposal of copiers which previously would have been remanufactured, employee severance payments and facility closing costs. The aggregate one-time, pretax charge against 1990 third-quarter earnings was \$86.5 million.

13. Commitments and contingencies

At December 31, 1992, the company's finance subsidiaries had unfunded commitments of \$28.2 million to extend credit to customers. Since many of the commitments are expected to expire without being drawn upon, the total commitment amount does not necessarily represent future liquidity requirements. The company evaluates each customer's credit worthiness on a case-by-case basis. Upon extension of credit, the amount and type of collateral

obtained, if deemed necessary by the company, is based on management's credit assessment of the customer. Fees received under the agreements are recognized over the commitment period.

The company is a defendant in a number of lawsuits, none of which will, in the opinion of management and legal counsel, have a material adverse effect on the company's financial position or results of operations.

14. Leases

In addition to factory and office facilities owned, the company leases similar properties, as well as sales and service offices, equipment and other properties, generally under long-term lease agreements extending from three to 25 years. Certain of these leases have been capitalized at the present value of the net lease payments at inception. Amounts included under liabilities represent the present value of remaining lease payments.

Future minimum lease payments under both capital and operating leases as of December 31, 1992 are as follows:

Years ending December 31	Capital leases	Operating leases
1993	\$ 6,935	\$ 72,746
1994	6,543	54,977
1995	6,184	36,361
1996	5,897	21,429
1997	5,152	15,606
Later years	33,409	67,278
Total minimum lease payments	64,120	\$268,397
Less amount representing interest	(28,860)	
Present value of net minimum lease payments	\$ 35,260	

Rental expense was \$115.0 million, \$110.3 million and \$101.0 million in 1992, 1991 and 1990, respectively.

15. Financial services

The company has several consolidated finance operations which are engaged in lease financing of the company's products as well as other commercial and industrial transactions in the U.S., Canada, the U.K., Germany, France and Australia. Condensed financial data for the consolidated finance operations follows:

Condensed summary of operations			
Years ended December 31	1992	1991	1990
Revenue	\$633,351	\$613,716	\$547,814
Costs and expenses	230,608	205,946	159,839
Interest, net	201,421	229,683	227,636
Total expenses	432,029	435,629	387,475
Income before income taxes	201,322	178,087	160,339
Provision for income taxes	69,954	61,284	53,837
Income before effect of a change in accounting for nonpension postretirement benefits	131,368	116,803	106,502
Effect of a change in accounting for nonpension postretirement benefits	(1,866)	—	—
Net income	\$129,502	\$116,803	\$106,502

Condensed balance sheet at December 31	1992	1991
Cash and cash equivalents	\$ 6,563	\$ 20,678
Finance receivables, net	980,392	983,052
Other current assets and prepayments	33,778	56,766
Total current assets	1,020,733	1,060,496
Long-term finance receivables, net	2,901,393	2,768,220
Investment in leveraged leases	277,659	200,326
Other assets	163,960	112,565
Total assets	\$4,363,745	\$4,141,607
Accounts payable and accrued liabilities	\$ 305,448	\$ 272,537
Income taxes payable	133,783	58,823
Notes payable and current portion of long-term obligations	1,852,926	1,879,182
Total current liabilities	2,292,157	2,210,542
Deferred taxes on income	194,937	247,939
Long-term debt	1,112,396	1,007,527
Other noncurrent liability	3,676	—
Total liabilities	3,603,166	3,466,008
Equity	760,579	675,599
Total liabilities and equity	\$4,363,745	\$4,141,607

Finance receivables are generally due in monthly, quarterly or semi-annual installments over periods ranging from three to seven years. In addition, 23 percent of the company's net finance receivables represent secured commercial and private jet aircraft transactions with lease terms ranging from five to 24 years. Maturities of gross finance receivables and notes payable for the finance operations are as follows:

Years ending December 31	Gross finance receivables	Notes payable and subordinated debt
1993	\$1,393,141	\$1,852,926
1994	1,032,941	54,089
1995	722,719	60,966
1996	395,847	81,834
1997	205,613	151,163
Thereafter	1,154,035	764,344
Total	\$4,904,296	\$2,965,322

Finance operations' net purchases of Pitney Bowes equipment amounted to \$524.4 million, \$499.9 million and \$480.5 million in 1992, 1991 and 1990, respectively. The components of net finance receivables were as follows:

December 31	1992	1991
Gross finance receivables	\$ 4,904,296	\$ 4,812,322
Residual valuation	477,467	419,354
Initial direct cost deferred	64,604	57,589
Allowance for credit losses	(96,975)	(88,703)
Unearned income	(1,467,607)	(1,449,290)
Net finance receivables	\$ 3,881,785	\$ 3,751,272

The company has sold net finance receivables with varying amounts of recourse in privately-placed transactions with third-party investors. The uncollected principal balance of receivables

sold and residual guarantee contracts totaled \$551.0 million and \$589.1 million at December 31, 1992 and 1991, respectively. These contracts are supported by the underlying equipment value and credit worthiness of customers. Adequate provisions have been made for sold receivables which may be uncollectible.

The company has invested in various types of equipment under operating leases; the net investment at December 31, 1992 and 1991 was not significant.

16. Business segment information

For a description of the company's segments and financial information relating to revenue, operating profit and identifiable assets by business segment for the years 1992, 1991 and 1990, see "Segments" on page 22. That information is incorporated herein by reference. The information set forth below should be read in conjunction with such information. Operating profit of each segment is determined by deducting from revenue the related costs and operating expenses directly attributable to the segment. Segment operating profit excludes general corporate expenses, which amounted to \$88.3 million in 1992, \$85.6 million in 1991 and \$72.7 million in 1990, income taxes and net interest other than that related to the financial services segment. With respect to geographic areas, operating profit is shown before elimination of changes in intercompany profit levels which increased such profits by \$1.7 million in 1992, \$2.3 million in 1991, and \$2.7 million in 1990. Additional segment information is as follows:

Years ended December 31	1992	1991	1990
Depreciation and amortization:			
Business equipment	\$205,178	\$196,466	\$193,310
Business supplies and services	12,202	11,944	10,786
Financial services	19,875	17,259	10,080
Total	\$237,255	\$225,669	\$214,176
Net additions to property, plant and equipment and rental equipment and related inventories:			
Business equipment	\$189,193	\$203,758	\$202,101
Business supplies and services	8,350	10,552	10,220
Financial services	1,958	32,006	55,328
Total	\$199,501	\$246,316	\$267,649

Identifiable assets are those used in the company's operations in each segment and exclude cash and cash equivalents and short-term investments. Identifiable assets of geographic areas include intercompany profits on inventory and rental equipment transferred between segments and intercompany accounts. A reconciliation of identifiable assets to consolidated assets is as follows:

December 31	1992	1991
Identifiable assets by geographic area	\$6,496,614	\$6,116,794
Inter-area profits	(19,684)	(18,223)
Intercompany accounts	(178,645)	(29,655)
Identifiable assets by industry segment	6,298,285	6,068,916
Cash and cash equivalents and short-term investments	73,059	118,471
General corporate assets	127,408	133,398
Discontinued operations	—	59,795
Consolidated assets	\$6,498,752	\$6,380,580

17. Fair value of financial instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash, cash equivalents, short-term investments, accounts receivable, accounts payable and notes payable. The carrying amounts approximate fair value because of the short maturity of these instruments.

Investment securities. The fair value of investment securities is estimated based on quoted market prices, dealer quotes and other estimates.

Loan receivables. The fair value of loan receivables is estimated based on quoted market prices, dealer quotes or by discounting future cash flows using current interest rates at which similar loans would be made to borrowers with similar credit ratings.

Long-term debt. The fair value of long-term debt is estimated based on quoted dealer prices for the same or similar issues.

Interest rate swap and swap option agreements and foreign currency exchange contracts. The fair values of interest rate swaps, swap options and foreign currency exchange contracts are obtained from dealer quotes. These values represent the estimated amount the company would receive or pay to terminate the agreements taking into consideration current interest rates, the credit worthiness of the counterparties and current foreign currency exchange rates.

Residual and conditional commitment guarantee contracts. The fair value of residual and conditional commitment guarantee contracts is based on the projected fair market value of the collateral as compared to the guaranteed amount plus a commitment fee generally required by the counterparty to assume the guarantee.

Commitments to extend credit. The fair value of commitments to extend credit is estimated by comparing current market conditions taking into account the remaining terms of existing agreements and present credit worthiness of the counterparties.

Transfer of receivables with recourse. The fair value of the recourse liability represents the estimate of expected future losses. The company periodically evaluates the adequacy of reserves and estimates of expected losses, if the resulting evaluation of expected losses differs from the actual reserve, adjustments are made to the reserve.

The estimated fair value of the company's financial instruments is as follows:

December 31, 1992	Carrying value*	Fair value
Investment securities	\$17,381	\$17,445
Loan receivables	\$180,850	\$185,953
Long-term debt	\$(1,185,728)	\$(1,231,980)
Interest rate swaps	\$(5,858)	\$(45,202)
Interest rate swap options	\$(10,998)	\$(10,998)
Foreign currency exchange contracts	\$76	\$1,056
Residual and conditional commitment guarantee contracts	\$(2,431)	\$(3,692)
Commitments to extend credit	\$(61)	\$(2,166)
Transfer of receivables with recourse	\$(11,141)	\$(11,141)

*Carrying value includes accrued interest and deferred fee income.

18. Quarterly financial data (unaudited)

Summarized quarterly financial data (in millions of dollars, except for per share data) for 1992 and 1991 follows:

1992*	Three Months Ended			
	March 31**	June 30	Sept. 30	Dec. 31
Total revenue	\$ 811	\$834	\$861	\$928
Cost of sales and rentals and financing	\$ 293	\$302	\$314	\$335
Income from continuing operations	\$ 67	\$ 74	\$ 76	\$ 95
Discontinued operations	—	—	3	—
Effect of a change in accounting for nonpension postretirement benefits	(215)	—	—	—
Net income	\$(148)	\$ 74	\$ 79	\$ 95
Income per common and common equivalent share:				
Continuing operations	\$.42	\$.46	\$.48	\$.60
Discontinued operations	—	—	.02	—
Effect of a change in accounting for nonpension postretirement benefits	(1.35)	—	—	—
Net income	\$ (.93)	\$.46	\$.50	\$.60

1991**	Three Months Ended			
	March 31	June 30	Sept. 30	Dec. 31
Total revenue	\$808	\$804	\$814	\$906
Cost of sales and rentals and financing	\$277	\$279	\$293	\$329
Income from continuing operations	\$ 67	\$ 68	\$ 70	\$ 83
Discontinued operations	—	—	2	5
Net income	\$ 67	\$ 68	\$ 72	\$ 88
Income per common and common equivalent share:				
Continuing operations	\$.43	\$.42	\$.44	\$.51
Discontinued operations	—	—	.01	.04
Net income	\$.43	\$.42	\$.45	\$.55

*Restated to reflect a change in accounting principle (see note 10).

**Restated to reflect two-for-one stock split.

Report of Independent Accountants

Price Waterhouse



To the Stockholders and Board of Directors of Pitney Bowes Inc.:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Pitney Bowes Inc. and its subsidiaries at December 31, 1992 and 1991, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1992, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in note 10 to the consolidated financial statements, the company elected to adopt a new accounting standard for postretirement benefits other than pensions in 1992.

Price Waterhouse

Stamford, Connecticut

February 1, 1993

Directors and Officers

Directors

Linda G. Alvarado
President
Alvarado Construction, Inc.
*commercial and industrial
general contractor*

William E. Butler
Chairman and
Chief Executive Officer
Eaton Corporation
*manufacturer of engineered
products serving automotive,
industrial, commercial and
defense markets*

Colin G. Campbell
President
Rockefeller Brothers Fund

John C. Emery, Jr.
Vice Chairman of
The Robbins Company, and
former Chairman, President
and Chief Executive Officer
Emery Air Freight Corporation

George B. Harvey
Chairman, President and
Chief Executive Officer
Pitney Bowes Inc.

Charles E. Hugel
Retired Chairman and
Chief Executive Officer
Combustion Engineering, Inc.
*principal products are power
generation, and process equipment
and systems*

David T. Kimball
Retired Chairman and
Chief Executive Officer
General Signal Corporation
*manufacturer of instrumentation
and control systems and industrial
equipment*

Leroy D. Nunery
Director, Merchant Banking
Group, and Sector Head
of Public Finance
Swiss Bank Corporation
major international bank

Phyllis Shapiro Sewell
Retired Senior Vice President
Federated Department Stores, Inc.
retailer

Arthur R. Taylor
President, Muhlenberg College,
and Chairman
Arthur Taylor & Co.
investment firm

Julia M. Walsh
Managing Director
Tucker Anthony, Inc.
investment firm

Corporate officers

George B. Harvey
Chairman, President and
Chief Executive Officer

Carmine F. Adimando
Vice President—Finance and
Administration, and Treasurer

Marc C. Breslawsky
President
Pitney Bowes Office Systems

John J. Canning
President
Pitney Bowes Financial Services

Michael J. Critelli
Vice President, Secretary and
General Counsel, and
Chief Personnel Officer

Steven J. Green
Vice President—Controller

John T. Herbert
Vice President—Facilities
and Operations Services

Hiro R. Hiranandani
President
Pitney Bowes Mailing Systems

Paul Reece
Vice President—Operations and
Technology

Douglas A. Riggs
Vice President—Corporate Planning,
Communications and
External Affairs

Carole F. St. Mark
President
Pitney Bowes Logistics Systems
and Business Services

In 1992 Donald W. Davis retired from the Pitney Bowes board of directors. Mr. Davis, Chairman of the Executive Committee and former Chairman and Chief Executive Officer of The Stanley Works, has been a director of Pitney Bowes since 1977. Mr. Davis has contributed greatly to the growth and success of this company over the last 15 years, and the Pitney Bowes board of directors wishes to thank Mr. Davis for the excellent advice and guidance he has provided to the company.

Stockholder Information

World headquarters

PITNEY BOWES INC
1 ELMCROFT RD
STAMFORD CT 06926-0700
(203) 356-5000

Annual meeting

Stockholders are cordially invited to attend the 1993 Annual Meeting at 10 a.m., Monday, May 10, 1993, at Pitney Bowes World Headquarters in Stamford, Connecticut. A notice of the meeting, proxy statement and proxy will be mailed to each stockholder under separate cover.

10-K report

The Form 10-K report, to be filed by Pitney Bowes with the Securities and Exchange Commission, will provide certain additional information. Stockholders may obtain copies of this report without charge by writing to:

MSC 6140
INVESTOR RELATIONS
PITNEY BOWES INC
1 ELMCROFT RD
STAMFORD CT 06926-0700

Stock exchanges

Pitney Bowes common stock is traded under the symbol "PBI." It is listed on the New York Stock Exchange and traded on the New York, Midwest, Philadelphia and Boston exchanges.

Comments

Comments concerning the Annual Report should be addressed to:

MSC 6309
DIRECTOR
INVESTOR COMMUNICATIONS AND
ADVERTISING
PITNEY BOWES INC
1 ELMCROFT RD
STAMFORD CT 06926-0700

Stockholder inquiries

Communications by common, preference and preferred stockholders concerning stock certificates, dividends or address changes should be sent to the company's registrar and transfer agent:

SHAREHOLDER RELATIONS DEPT
CHEMICAL BANK
PO BOX 24935
NEW YORK NY 10249-0018

Stockholders may call
Chemical Bank at:
(800) 648-8170 or
Pitney Bowes Stockholder
Services at:
(203) 351-6088

Investor inquiries

All investor inquiries about Pitney Bowes should be addressed to:

MSC 6140
INVESTOR RELATIONS
PITNEY BOWES INC
1 ELMCROFT RD
STAMFORD CT 06926-0700

Transfer agent, registrar, dividend reinvestment agent and successor rights agent

Common, preference and preferred stock:

EQUITY SERVICES
CHEMICAL BANK
450 WEST 33RD ST FL 15
NEW YORK NY 10001-2697

Stock information*

Dividends per common share

Quarter	1992	1991
First	\$.195	\$.17
Second	.195	.17
Third	.195	.17
Fourth	.195	.17
Total	\$.780	\$.68

Quarterly price ranges of common stock

	1992	
Quarter	High	Low
First	35 3/16	30 7/8
Second	33 1/4	28
Third	36 1/8	28 7/8
Fourth	41	32 3/4

	1991	
Quarter	High	Low
First	27 3/16	19
Second	30 11/16	26 1/16
Third	32 3/4	28 3/4
Fourth	31 11/16	27 1/16

*Restated to reflect two-for-one stock split.

Trademarks

ACCESS, ADDRESSRIGHT, Customer Satisfaction Guarantee, Eagle, Eagle 2, Mail Center 2000, Paragon, SPECTRUM, STAR, STARPOST and Value Added Maintenance System are trademarks or service marks of Pitney Bowes Inc. Digital Express, Smart Attendant, Record Express, Straight Talk Plus and Veritrac are trademarks of Dictaphone Corporation. Express is a trademark of Pitney Bowes Credit Corporation. Pathfinder is a trademark of Monarch Marking Systems, Inc.

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**Notice of the 1993
Annual Meeting
and
Proxy Statement**

Pitney Bowes Inc.
World Headquarters
Stamford, Connecticut 06926-0700
(203) 356-5000



Pitney Bowes

To the Stockholders:

Stockholders attending the annual meeting at our World Headquarters in Stamford on May 10, 1993, are cordially invited to join us for a continental breakfast served from 8 a.m. until the meeting begins at 10 a.m.

We look forward to welcoming many stockholders to the meeting and will make it as interesting and informative as possible.

Sincerely yours,

George B. Harvey
Chairman and President

Stamford, Connecticut
March 30, 1993

Notice of Meeting:

The annual meeting of stockholders of Pitney Bowes Inc. will be held on May 10, 1993, at 10 a.m., at the company's World Headquarters, One Elmcroft Road, Stamford, Connecticut. Directions to the Pitney Bowes World Headquarters are set forth on the back cover page of the Proxy Statement; a map is on the inside back cover.

The items of business are:

1. Election of three directors.
2. Appointment of independent accountants for 1993.
3. Such other matters as may properly come before the meeting or any adjournments thereof.

All holders of record of Pitney Bowes common stock and \$2.12 convertible preference stock as of the close of business on March 12, 1993, are entitled to vote at the meeting or any adjournments thereof.

It is important that all stockholders be represented at the meeting. Stockholders are urged to sign and return promptly the enclosed proxy in the accompanying envelope, which requires no postage if mailed in the United States.

Michael J. Critelli
Vice President, Secretary and General Counsel
and Chief Personnel Officer



Proxy Statement

This statement is furnished in connection with the solicitation of proxies by the board of directors of Pitney Bowes Inc. (the "board") for use at the annual meeting of stockholders to be held on May 10, 1993, and at any adjournment thereof. Proxies may be revoked at any time before they are voted by submission to the Secretary of the company of a written revocation or, in the case of a registered stockholder, a later-dated proxy, or by the stockholder's attendance and vote at the annual meeting. Each proxy not revoked will be voted at the meeting and will be voted in accordance with the instructions given in the proxy. The votes of the holders of Pitney Bowes common stock and \$2.12 convertible preference stock ("preference stock") will be aggregated for each agenda item. Each share of common stock will be entitled to one vote and each share of preference stock will be entitled to eight votes for each agenda item.

At the close of business on March 12, 1993, the record date for the meeting, there were (net of treasury shares) 157,139,938 shares of common stock outstanding and 116,288 shares of preference stock outstanding.

The company's headquarters are in Stamford, Connecticut 06926-0700. This proxy statement and the enclosed proxy are being mailed to stockholders on or about March 30, 1993.

Election of Directors

Under the company's Restated Certificate of Incorporation, there are three classes of directors numbering as nearly equal in size as possible. Each class is elected for a three-year term.

Four directors, Ms. Alvarado, Mr. Campbell, Mr. Hugel and Mrs. Walsh, were elected last year to a three-year term expiring in 1995. Mrs. Walsh,

having attained director's retirement age, will be retiring from the board as of the date of the annual meeting. Mr. Butler, Mr. Kimball, Mr. Nunery and Mr. Taylor were elected in 1991 to a three-year term expiring in 1994.

Mr. Emery, Mr. Harvey and Mrs. Sewell were elected in 1990 to a three-year term expiring in 1993. The Nominating and Organization Affairs Committee, consisting of three nonemployee directors whose names are set out on page 6, recommended and the board approved proposing to stockholders the reelection of Mr. Emery, Mr. Harvey and Mrs. Sewell to three-year terms expiring in 1996.

Should you choose not to vote for a nominee, you may list on the proxy the name of the nominee for whom you choose not to vote and mark your proxy under Proposal No. 1 for all other nominees. Should any nominee become unable to accept nomination or election as a director (which is not now anticipated), the persons named in the enclosed proxy will vote for such substitute nominee as may be selected by the board, unless the board reduces the number of members of the board below ten directors, which is not currently contemplated. The affirmative vote of a plurality of the aggregate of issued and outstanding shares of Pitney Bowes common and preference stock (each share of preference stock counting as eight votes of common stock) voted in person or by proxy at the annual meeting is required to elect directors.

Information about each nominee for director and incumbent director, including the nominee's or incumbent's age as of February 28, 1993, is set forth below. Unless otherwise indicated, each nominee or incumbent has held his or her present position for at least five years.

NOMINEES FOR ELECTION TO TERMS EXPIRING AT THE 1996 ANNUAL MEETING



John C. Emery, Jr., 68 Vice Chairman of The Robbins Company since 1991, and former chairman, president and chief executive officer of Emery Air Freight Corporation. Director since 1974. (Also a director of General Housewares Corp.)



George B. Harvey, 61 chairman, president and chief executive officer of Pitney Bowes Inc. Director since 1980. (Also a director of Connecticut Mutual Life Insurance Co., and McGraw Hill, Inc., and a trustee of Northeast Utilities Inc.)



Phyllis S. Sewell, 62 retired senior vice president of Federated Department Stores, Inc. an owner of department store chains. Director since 1987. (Also a director of Lee Enterprises, Inc., United States Shoe Corporation and Sysco Corporation.) *

* Ms. Sewell retired as a senior vice president of Federated Department Stores, Inc., in July 1988. Federated filed for protection under Chapter 11 of the U.S. Bankruptcy laws on January 15, 1990, and emerged from Chapter 11 on February 5, 1992.

INCUMBENT DIRECTORS WHOSE TERMS EXPIRE AT THE 1995 ANNUAL MEETING



Linda G. Alvarado, 41, president, since 1974, of Alvarado Construction, Inc., a Denver-based commercial and industrial general contractor. Director since 1992. (Also a director of Cyprus Minerals Company, Lennox International, Inc., Norwest Banks of Colorado, Inc., and Pena Investment Advisors.)



Colin G. Campbell, 57, president of Rockefeller Brothers Fund, a philanthropic organization, since 1988. Former president of Wesleyan University from 1970 to 1988. Director since 1977. (Also director of Middlesex Mutual Assurance Company, Hartford Steam Boiler Inspection & Insurance Company, and Sysco Corporation.)



Charles E. Hugel, 64, retired chairman and chief executive officer of Combustion Engineering, Inc., a company whose principal products are power generation, and process equipment and systems, Director since 1987. (Also a director of Eaton Corporation.)

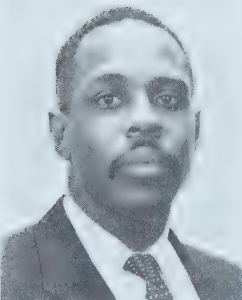
INCUMBENT DIRECTORS WHOSE TERMS EXPIRE AT THE 1994 ANNUAL MEETING



William E. Butler, 61, chairman and chief executive officer since 1991 and director of Eaton Corporation, manufacturer of engineered products serving the automotive, industrial, commercial and defense markets. President and chief operating officer of Eaton Corporation from 1989 to 1991. President-Automotive Components Group of Eaton Corporation from 1979 to 1989. Director since 1991. (Also a director of Bearings, Inc., Zurn Industries and Ferro Corporation.)



David T. Kimball, 65, retired chairman and chief executive officer of General Signal Corporation, manufacturer of instrumentation and control systems and industrial equipment. Director since 1983.



Leroy D. Nunery, 37, director, Merchant Banking Group since 1993, Swiss Bank Corporation, an international bank. Sector head of Public Finance, 1991-1993, and vice president, Corporate Banking Group, 1987-1991, of Swiss Bank Corporation. National Board Member since 1983 and former national president of the National Black MBA Association, Inc. from 1986 to 1989. Vice President — Financial Products Group of First National Bank of Chicago from 1986 to 1987. Director since 1991. (Also a trustee of Lafayette College, member at large, Essex Council, Boy Scouts of America, and director of Leroy Nunery & Sons, Inc.)



Arthur R. Taylor, 57, chairman of Arthur Taylor & Company, an investment firm, and since 1992, president of Muhlenberg College in Allentown, PA. Dean of the faculty of Business, Fordham University from 1985 to 1992. Director since 1982. (Also a director of Louisiana Land and Exploration Company, Nomura Pacific Basin Fund, Inc., Japan OTC Fund, Inc., and Jakarta Growth Fund Inc.)

The board met eight times in 1992. All directors attended at least 75 percent of the aggregate of the total number of board meetings and the total number of meetings held by all board committees on which he or she served during 1992. The overall rate of attendance at such meetings was 98 percent.

Committees of the Board of Directors

Members of the board serve on one or more of the following seven committees.

The **Audit Committee**, which met four times in 1992 and is composed entirely of independent directors, monitors the financial reporting standards and practices of the company and the company's internal financial controls to ensure compliance with the policies and objectives established by the board of directors. To further the foregoing, the Audit Committee, recommends to the board for stockholder approval an independent accounting firm to conduct the annual audit, and discusses with the company's independent accountants the scope of their examinations with particular attention to areas where either the Committee or the independent accountants believe special emphasis should be directed. The Committee reviews the annual financial statements and independent accountants' report, invites the accountants' recommendations on internal controls and on other matters, and reviews the evaluation given and corrective action taken by management. It reviews the independence of the accountants and their fees. It also reviews Pitney Bowes' internal accounting controls and the scope and results of the company's internal auditing activities and submits reports and proposals to the board. Members are Charles E. Hugel, Chairman, Colin G. Campbell and Arthur R. Taylor.

The **Corporate Responsibility Committee** (formerly the Public Policy Committee), which met three times in 1992, monitors the company's policies and programs concerning stockholders, customers, employees, and the communities in which the company operates. The policies and programs that the Committee monitors include employee relations, investor relations, environmental protection, customer satisfaction, postal and governmental relations, employee safety and product safety. Members are William E. Butler, Chairman, Linda G. Alvarado, George B. Harvey, and Julia M. Walsh.

The **Executive Committee**, which did not meet in 1992, can act, to the extent permitted by Delaware corporation law, on all matters concerning management of the business which may arise between scheduled board of directors meetings. Its actions are subject to approval or revision by the board. Members are George B. Harvey, Chairman, Colin G. Campbell, John C. Emery, Jr. and Arthur R. Taylor.

The **Executive Compensation Committee**, which met six times in 1992, is composed entirely of independent nonemployee directors and oversees the company's executive compensation program including establishing the company's executive compensation policies and undertaking an annual review of all components of compensation to ensure that they appropriately achieve the company's objectives. The Committee is also responsible for certain administrative aspects of the company's compensation plans (see "Executive Officer Compensation") and the 1984 Pitney Bowes Employee Stock Purchase Plan, and recommends changes in such plans. It also establishes performance targets and grants, or recommends for grant, incentives in the forms permitted under the Pitney Bowes Key Employees Incentive Plan, and recommends grants of incentives under the Pitney Bowes 1991 Stock Plan. Grants recommended by the Executive Compensation Committee are approved by the independent directors of the board. Members are Phyllis S. Sewell, Chairman, William E. Butler and David T. Kimball.

The **Finance Committee**, which met five times in 1992, reviews the company's financial condition and evaluates significant financial policies and investments decisions, advises management and recommends financial action to the board. The Committee's duties include monitoring the company's current and projected financial condition and reviewing and approving major investment decisions. Members are Arthur R. Taylor, Chairman, Colin G. Campbell, John C. Emery, Jr., George B. Harvey, and Leroy D. Nunery.

The **Nominating and Organization Affairs Committee** (formerly the Organization and Board Affairs Committee), which met five times in 1992, recommends directors for nomination by the board for

election by stockholders, recommends membership and duties of the board committees, reviews officers' potential for growth, and with the chief executive officer, is responsible for succession planning and ensuring management continuity. The committee reviews and evaluates the effectiveness of corporate administration and its governing documents. The Committee will consider nominees for director recommended by stockholders. Stockholder recommendations must be in writing addressed to the Chairman of the Nominating and Organization Affairs Committee, c/o Secretary of the company at the address set forth on the cover of this proxy statement, and should include a statement describing the qualifications and experience of the proposed candidate and the basis for nomination. Members are Colin G. Campbell, Chairman, John C. Emery, Jr., Charles E. Hugel, and Phyllis S. Sewell.

The **Retirement Advisory Committee**, which met four times in 1992 oversees the financial operations of the company's retirement, savings, and post retirement benefit plans and retirement funds to ensure that plan liabilities are adequately funded and plan assets prudently managed. The Committee recommends for approval by the board the establishment of new plans and any amendments that materially effect cost, benefit coverages, or liabilities of the

plans. With respect to major retirement plans, the Committee appoints and removes plan trustees and investment managers, sets the managers' investment return objectives, and approves contributions to such plans. It reports to the board on the operations of all plans and the management of funds established thereunder. Members are David T. Kimball, Chairman, Linda G. Alvarado, Leroy D. Nunery and Julia M. Walsh.

Security Ownership of Directors And Executive Officers

The following table sets forth, as of March 12, 1993, the number of shares of common stock held by each director, each nominee for director, each of the five executive officers named in the Summary Compensation Table (Table I) on page 10 and all directors and (eleven) executive officers as a group. The directors and executive officers as a group are beneficial owners of less than one percent of the aggregate shares of common stock and preference stock. The company is not aware of any person or group of persons who are beneficial owners of more than five percent of any class of the company's voting securities.

SECURITY OWNERSHIP

Title of Class of Stock	Name of Beneficial Owner	Shares Deemed to be Beneficially Owned (a) (b)	Options Exercisable Within 60 Days (d)
Common	Linda G. Alvarado	1,400	—
Common	William E. Butler	1,800	—
Common	Colin G. Campbell	5,600	—
Common	John C. Emery, Jr.	9,263	—
Common	George B. Harvey	308,280	228,384
Common	Charles E. Hugel	1,800	—
Common	David T. Kimball	20,800	—
Common	Leroy D. Nunery	818	—
Common	Phyllis S. Sewell	4,800	—
Common	Arthur R. Taylor	7,554	—
Common	Julia M. Walsh (c)	2,800	—
Common	Carmine F. Adimando	35,956	37,000
Common	Marc C. Breslawsky	59,131	76,050
Common	Hiro R. Hiranandani	59,400	49,450
Common	Carole F. St. Mark	29,368	38,200
Common	All executive officers and directors as a group (21)	548,770	429,084

- (a) Some of the holdings shown include shares required to be reported as beneficially owned by the directors or executive officers as to which such persons disclaim beneficial ownership. The number of common shares so held are 28,000 in the case of Mr. Harvey, 4,800 in the case of Mr. Campbell, and 33,299 in the case of all executive officers and directors as a group.
- (b) The shares beneficially owned by any director or executive officer, or by all directors and executive officers as a group, represent in each case less than one percent of the class.
- (c) Mrs. Walsh is retiring from the board as of May 10, 1993.
- (d) Shares that the executive officer has the right to acquire beneficial ownership of within 60 days pursuant to outstanding stock options which would require the payment of substantial amounts to cover the exercise price of such options. See footnote (1) to Table III on page 12.

DIRECTORS' COMPENSATION

Director's Fees. In 1992 directors (other than Mr. Harvey) received a fee of \$24,000 per year. In addition, each director (other than Mr. Harvey) received \$1,100 for each board and committee meeting attended. Directors were also reimbursed for their out-of-pocket expenses incurred in attending board and committee meetings. Directors may elect to defer receipt of fees, in which event they receive interest on the amount deferred at the rate then payable on Standard & Poors AA-rated bonds.

Directors' Stock Plan. At the 1991 annual meeting, stockholders adopted a Directors' Stock Plan pursuant to which each nonemployee director is granted 400 shares (adjusted to reflect the 1992 two-for-one stock split) of Pitney Bowes restricted common stock annually as part of his or her compensation. On May 11, 1992, an aggregate of 2,000 such shares was awarded, with each of the ten nonemployee directors then serving receiving 200 shares of restricted common stock. The shares carry full voting and dividend rights but may not be transferred or alienated until the later of (1) termination

of service as a director, or, if earlier, the date of a change of control or (2) the expiration of the six-month period following the grant of such shares.

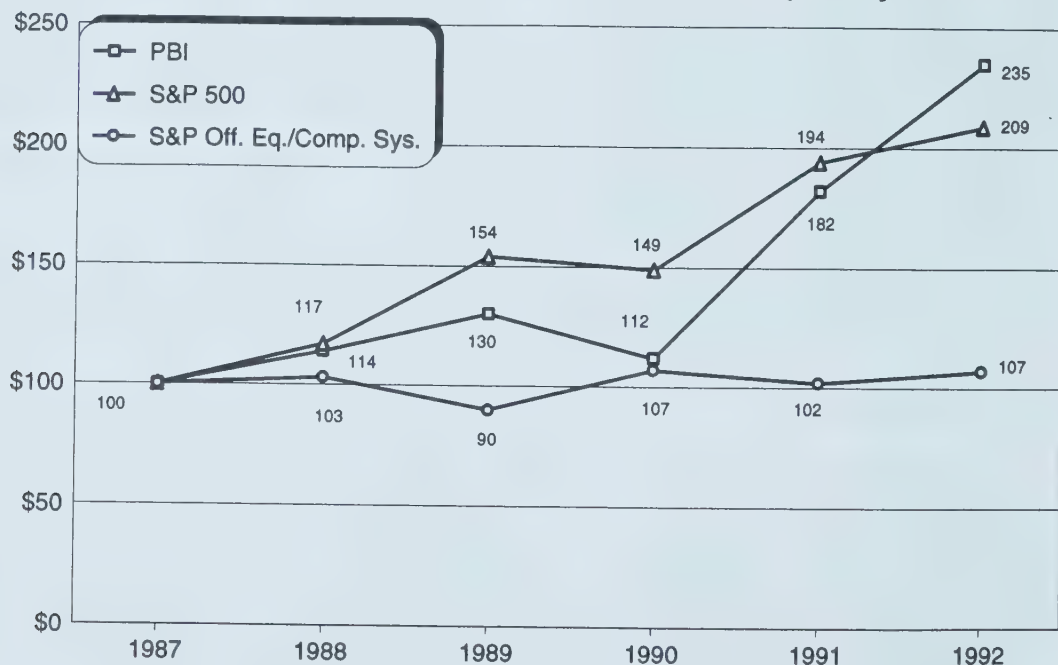
Directors' Retirement Plan. The company maintains a Directors' Retirement Plan. Under this plan a director with five or more years of service as a director will receive an annual retirement benefit calculated as 50 percent of the director's retainer in effect at the time of such director's retirement for directors with five years of service, and an additional 10 percent of such retainer for each year of service over five to a maximum of 100 percent of such retainer for ten or more years of service. The current annual retainer fee paid to active directors who are not officers is \$24,000. A lifetime benefit is paid to a director who (i) leaves the board on or after age 60, or (ii) leaves the board prior to age 60 but defers commencement of receipt of benefits until age 60. A director who leaves the board and who elects receipt of benefits before age 60 shall receive

benefits only during a period equal to the number of years that the director served on the board. Individuals who are eligible for pension benefits as prior employees of the company are not eligible under the Directors' Retirement Plan, unless they serve as nonemployee directors for at least five years.

STOCK PERFORMANCE GRAPH

The following line graph compares the cumulative total return on an investment in the company's common stock over the five-year period ending December 31, 1992, with that of the Standard & Poor's ("S&P") 500 Composite Index and with an index which is a combination of the cumulative total returns on an investment in each company included in the S&P Office Equipment and Supplies Index and the S&P Computer Systems Index, over the same five-year period.

Comparison of Five Year Cumulative Total Return*
Among Pitney Bowes Inc., the S&P 500 Composite Index, and the Companies Included in the S&P Office Equipment and Supplies and Computer Systems Indices



* Based upon an initial investment of \$100 on December 31, 1987 with reinvestment of dividends

Both the S&P 500 Composite Index and the index which reflects the combined returns of companies in the S&P Office Equipment and Supplies and Computer Systems indices are market-value weighted indices. All information shown above is based upon data provided to the company by three separate independent organizations, all three of which have been licensed by Standard & Poor's Corporation to use its official total return calculation.

The graph shows that on a total return basis, assuming reinvestment of all dividends, \$100 invested in the company's common stock on December 31, 1987 would have grown to \$235 by December 31, 1992. By comparison, \$100 invested in the S & P 500 Composite Index would have grown to \$209 by December 31, 1992. One hundred dollars invested in the combined S & P Office Equipment and Supplies and the S & P Computer Systems indices would have been worth \$107 on December 31, 1992.

EXECUTIVE OFFICER COMPENSATION

The Executive Compensation Committee (the "Committee") which is composed of three independent nonemployee directors, oversees the company's executive compensation programs and establishes its executive compensation policies. (See "Committees of the Board of Directors" on

page 5.) The Committee reports on executive compensation to all of the independent nonemployee directors of the board (the "Independent Directors") and makes recommendations to the Independent Directors regarding specific executive officer compensation matters with respect to which the Independent Directors have final approval. (See "Report on Executive Compensation by the Independent Directors" on page 13.)

Summary Compensation Table. The following table, Table I, shows all compensation paid or granted, during or with respect to 1992 and the two previous fiscal years, for services rendered in all capacities while an executive officer, to the chief executive officer and the four highest paid executive officers (persons in this group are referred to herein individually as "Executive Officer" and collectively as "Executive Officers"). This table shows all cash compensation, including Performance Based Compensation ("PBC Bonus"), which is an annual cash incentive bonus granted under the Pitney Bowes Key Employees' Incentive Plan (the "KEIP"), which was approved by stockholders. This table also shows the number of stock options granted during each such year and the value of previously-granted long-term incentives that was paid in 1992 due to the achievement of the related two-year performance objective.

TABLE I
SUMMARY COMPENSATION TABLE

Name and principal position	Year	Annual Compensation			Long-term compensation		
		Salary (\$)	Bonus (\$)	Other annual compensation (\$)	Grants	Payouts	All other compensation (\$) (3)
					Stock options (#) (1)	Long-term incentive plan payouts (\$) (2)	
G.B. Harvey	1992	637,500	564,800	—	19,300	1,738,550	9,610
Chairman, President & Chief	1991	610,000	533,300	—	18,800	0	—
Executive Officer	1990	590,000	168,000	—	41,000	0	—
M.C. Breslawsky	1992	377,792	359,800	—	8,300	661,925	2,059
President – Office Systems	1991	353,875	348,400	—	8,200	0	—
	1990	332,885	219,000	—	36,000	0	—
H.R. Hiranandani	1992	371,542	359,800	—	8,300	661,925	5,354
President – Mailing Systems	1991	345,625	291,500	—	8,200	0	—
	1990	310,000	244,200	—	18,000	0	—
C.F. St. Mark	1992	333,802	227,900	—	7,300	614,075	4,984
President – Logistic Systems	1991	315,625	176,400	—	7,200	0	—
& Business Services	1990	273,750	172,200	—	16,000	0	—
C.F. Adimando	1992	295,000	221,200	—	4,900	534,325	3,897
VP – Finance and	1991	274,583	220,400	—	4,800	0	—
Administration, and Treasurer	1990	248,333	162,500	—	11,200	0	—

- (1) Numbers shown for 1990 and 1991 have been restated to reflect the 1992 two-for-one stock split.
- (2) This value is the December 31, 1992 market value of the restricted stock which was granted on February 11, 1991. It has grown 63.87 percent in that time as the stock price has increased from \$24.34375/share to \$39.875/share.
- (3) Includes amounts contributed to the Pitney Bowes Deferred Investment Plan on behalf of Messrs. Harvey, Hiranandani and Adimando and Ms. St. Mark, and to the Dictaphone Corporation deferred savings plan on behalf of Mr. Breslawsky. Both plans were adopted in accordance with Section 401 (k) of the Internal Revenue Code.

Other Compensation Tables. Tables II-IV show additional detail about Executive Officer compensation, specifically, cash and stock-based long-term incentives granted under the company's compensation plans. Long-term incentives in the form of options granted during the three years covered by Table I are shown in that table. Outstanding options were granted under the 1979 Pitney Bowes Stock Option Plan (the "1979 Plan"), which provides only for the granting of options, and the Pitney Bowes

1991 Stock Plan (the "1991 Plan"), which provides for the granting of various stock-based incentives; both plans were approved by stockholders on adoption. (The 1979 Plan, the 1991 Plan and the KEIP are sometimes collectively referred to herein as the "Incentive Plans").

The following table, Table II, shows additional detail regarding options granted during 1992. (No grants have been made under the 1979 Plan since 1990.)

TABLE II
STOCK OPTION GRANTS IN 1992

Name	Options granted (#)	% of total options granted to employees in 1992	Exercise or base price (\$/share) (1)	Expiration date	Net Potential Realizable value at assumed annual rates of stock price appreciation for option term (2)	
					5% (\$)	10% (\$)
G.B. Harvey	19,300	5.10	30.75	June 7, 2002	373,233	945,846
M.C. Breslawsky	8,300	2.19	30.75	June 7, 2002	160,510	406,763
H.R. Hiranandani	8,300	2.19	30.75	June 7, 2002	160,510	406,763
C.F. St. Mark	7,300	1.93	30.75	June 7, 2002	141,171	357,755
C.F. Adimando	4,900	1.30	30.75	June 7, 2002	94,759	240,137

- (1) The exercise price equals the market price of a share of common stock on the date of grant. Options become exercisable in installments over a three-year period, 25 percent after the first year, 25 percent after the second year, and 50 percent after the third year.
- (2) The 5 and 10 percent growth rates, which rates were determined by the Securities and Exchange Commission, were chosen to value options because they illustrate that potential future value to the executive is linked directly to the future growth of the price of the company's common stock. Because the exercise price for options granted equaled the market price of the common stock on the date of grant, no gain to the Executive Officer is possible without an increase in the stock price, which would benefit the stockholders as a whole. Zero growth in the stock price will result in zero realizable value to the Executive Officers. The 5 and 10 percent growth rates are intended for illustration only and are not intended to be predictive of future growth; the actual value, if any, that may be realized by any Executive Officer will depend on the market price of the common stock on the date of exercise.

Shown in Table III below is information regarding the exercise of options in 1992 and the total of

outstanding options granted in previous years.

TABLE III
OPTIONS EXERCISED AND 1992 YEAR-END OPTION VALUES

Name	Shares acquired on exercise (#)	Net Value realized (\$)	Number of Unexercised Options at Year-End (#) (1)		Net Value of Unexercised in-the-money Options at Year-End (\$)(2)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
G.B. Harvey	0	0	245,608	53,900	5,650,861	606,715
M.C. Breslawsky	0	0	74,450	32,450	1,348,464	416,564
H.R. Hiranandani	3,000	113,520	57,050	23,450	981,101	264,376
C.F. St. Mark	0	0	48,400	20,700	903,910	233,618
C.F. Adimando	0	0	37,000	14,100	655,892	159,800

(1) Options granted during the period 1984-1992. The numbers have been adjusted for the 1986 and 1992 two-for-one stock splits.

(2) Based on \$39.875 per share, the market price of a share of common stock as of December 31, 1992, net of exercise prices which range from \$7.25 to \$30.75 (adjusted for the 1986 and the 1992 stock splits). In all cases the exercise price equaled the market price of a share at the date of grant.

Table IV, which follows, shows additional detail regarding other long-term incentives granted under the Incentive Plans in 1992, *i.e.*, restricted stock (shares of the company's stock, the full ownership of which is restricted or subject to forfeiture) and Cash Incentive Units ("CIUs") (a defeasible right to receive cash, the amount of which is contingent upon the attainment of specified performance objec-

tives over a multi-year period). Long-term incentives are contingent upon the attainment of one or more specified performance objectives. The company is obligated, under the terms of these incentives, to make the specified payments, if any, only to the extent that the stated performance objectives are achieved.

TABLE IV
1992 LONG-TERM INCENTIVE PLAN GRANTS

Name	Number of shares, units or other rights (#)		Performance or other period until maturation or payout (1) (2)	Estimated Future Payouts under Non-Stock Price Based Plans					
				Threshold		Target		Maximum	
	CIUs (1)	R/S (2)		CIU (\$)	R/S (#)	CIU (\$)	R/S (#)	CIU (\$)	R/S (#)
G.B. Harvey	496,759	9,800	December 31, 1994	0	4,900	496,759	9,800	776,186	9,800
M.C. Breslawsky	224,723	4,200	December 31, 1994	0	2,100	224,723	4,200	351,130	4,200
H.R. Hiranandani	224,723	4,200	December 31, 1994	0	2,100	224,723	4,200	351,130	4,200
C.F. St. Mark	197,954	3,700	December 31, 1994	0	1,850	197,954	3,700	309,303	3,700
C.F. Adimando	163,257	2,500	December 31, 1994	0	1,250	163,257	2,500	255,089	2,500

- (1) Cash Incentive Units ("CIUs") granted under the Pitney Bowes KEIP represent a defeasible right to receive cash payments if certain earnings per share and return on stockholders' equity performance criteria are achieved over a three-year period ending December 31, 1994. CIUs that will mature on December 31, 1994 will pay \$0/CIU if the threshold levels are not exceeded. The CIUs will have a value of \$.0075 to \$1.5625 per unit if the earnings per share and return on stockholder's equity performance criteria are met, depending on the magnitude of achievement.
- (2) Restricted stock granted under the Pitney Bowes 1991 Stock Plan is subject to forfeiture if certain minimum earnings per share performance criteria are not achieved over a three-year period or if the individual is not employed with the Company on the specified determination date. If the threshold level of growth is achieved, 50 percent of the stock will be released. One hundred percent of the stock will be released if the target level is achieved or exceeded. A prorated amount will be released for achievement between the threshold and the target level of growth. Outstanding shares of restricted stock were granted to the Executive Officers on June 10, 1991 and on June 8, 1992, as follows: Mr. Harvey, 9,600 and 9,800 shares, respectively; Mr. Breslawsky, 4,200 on each date; Mr. Hiranandani 4,200 shares on each date; Ms. St. Mark, 3,600 and 3,700 shares, respectively; and Mr. Adimando, 2,400 and 2,500 shares, respectively. The aggregate number of shares held by the Executive Officers as of December 31, 1992 and the aggregate fair market value of the shares is as follows (exclusive of shares that were released to the Executive Officers after such date, the value of which is shown in Table I under the heading "Long-term incentive plan payouts"): Mr. Harvey, 19,400 shares (\$773,575); Mr. Breslawsky, 8,400 shares (\$334,950); Mr. Hiranandani, 8,400 shares (\$334,950); Ms. St. Mark, 7,300 shares (\$291,088); and Mr. Adimando, 4,900 shares (\$195,387). (Market value is calculated at \$39.875 per share, the market price of the common stock at that date.) Individuals granted restricted stock have voting rights and receive dividends with respect to the stock during the restricted period.

Report on Executive Compensation by the Independent Directors

Introduction

The executive compensation policies and programs are the responsibility of the Executive Compensation Committee (the "Committee") which consists of three independent nonemployee directors. The

Committee, in turn, recommends for final approval certain policies, programs and specific actions to the Independent Directors.

The company's philosophy is to compensate employees fairly and competitively in the markets in which it competes for talent. Thus, it has developed a strategy which is designed to attract, motivate, and retain the best people to achieve the company's business objectives. The design of the compensation program permits recognition of individual contributions as well as results of the respective business units.

The company's executive compensation program has been designed with four main objectives: (1) To provide total compensation which is competitive when compared to various markets; (2) To place a portion of annual compensation at risk subject to performance against objectives; (3) To divide total compensation between annual and long-term components with a major portion represented by long-term performance related components; and (4) To align long-term compensation with stockholder interests.

Each year the Committee reviews all features of the executive compensation program to ensure that the individual components still meet the objectives of the program and to ensure that total compensation is competitive as it relates to the responsibilities and performance of the executives. This includes a review and discussion of material from the company's primary executive compensation consulting firm and other similar firms, and covers in detail the competitiveness of base salary, total annual compensation, and total long-term compensation. The company's compensation information is compared not only to companies deemed to be in its industry group, but also to other companies of similar revenue size and in different geographical areas because the Committee believes that the competing market place for executive talent is a larger universe of companies than only those in its industry group. During this review, the Committee assesses the levels of compensation, the mix of compensation, the individual and financial performance objectives for PBC Bonuses, CIUs and restricted stock, the competitive positioning for appropriateness, and the effectiveness of compensation in supporting the achievement of the company's objectives.

The executive compensation program and established objectives described above are applied to all the company's executives. Although each executive does not receive each long-term incentive (described below) as part of his or her compensation, the mix provided each executive reflects the company's objectives of linking a portion of compensation to performance and of providing an incentive for long-term achievement.

The Committee reviews and recommends to the Independent Directors the compensation of the most highly compensated executives (approximately 0.1 percent of the total employees in the company, referred to herein as "Key Executives"), including the compensation of the Executive Officers named in the preceding compensation tables (see Tables I-IV above). It also establishes the policies for and reviews the annual PBC Bonus and stock options granted to executives which comprise approximately 1 percent of the total employees of the company (referred to herein as "All Executives"). This complete review is designed to ensure equity, consistency, fairness, and the appropriateness of these awards.

Annual Compensation

Base Salary. In general, the company establishes base pay for All Executives at what it believes to be less than competitive levels based on information provided by the company's consultants. The company, however, believes its bonus award to be more than competitive, thus placing more annual pay at risk.

The determination of an individual Executive Officer's pay considers the executive's level of experience, position in the salary range, individual performance against annually established unit and individual objectives, including financial and non-financial measures, competitive market rates for similar positions, and the established annual criteria for merit increases. The above considerations apply similarly to All Executives.

On February 1, 1992 Mr. Harvey's annual base salary was increased from \$610,000 to \$640,000, a 4.9 percent increase. This increase, recommended by the Committee, and approved by the Independent Directors, recognized his 1991 accomplishments.

against various corporate objectives; for example, revenue, net income, earnings per share, improvement of customer satisfaction, and continued efforts in workforce diversity. Traditionally, Mr. Harvey's base salary has been comparatively low as compared to salaries of chief executives of comparable companies. The company places more emphasis on bonus and long-term incentives which vary based on performance.

PBC Bonus. All Executives including the Executive Officers are eligible for PBC Bonuses for achieving specific, significant annual unit and individual objectives.

For performance which meets objectives established by the board of directors at the beginning of the year, PBC Bonuses are paid at target percentage amounts; maximum amounts are paid for performance which is exceptional; reduced amounts are paid for acceptable but less than expected performance; and no amount is paid for performance that is unsatisfactory. The strategic objective of this bonus design is that it will deliver higher than competitive bonuses in order to compensate for base salaries which the Committee believes are lower than competitive, thus creating a combined base and bonus pay program which places more pay at risk. The payment of base pay plus a target PBC Bonus is intended to result in total annual compensation which would be competitive with total annual compensation paid in the marketplace. For performance which exceeds objectives, the total annual compensation would be better than average.

The PBC Bonuses for the Executive Officers are reviewed by the Committee and approved by the Independent Directors. The approval of the recommended bonuses follows a detailed discussion of the company's and the individual's performance for that year against established objectives which were approved by the board of directors at the beginning of the year.

In 1992, Mr. Harvey was key in guiding the company to achieve several objectives of short and long-term significance. These objectives were similar to the financial and other objectives described above under "Base Salary". Based upon these accomplishments, Mr. Harvey was rated as having performed against these preestablished objectives at a level that

exceeded target, and as a result, Mr. Harvey received \$564,800 as a PBC Bonus for his 1992 performance. This represents a 5.9 percent increase over his 1991 PBC Bonus.

Long-Term Incentives

In 1992 the company utilized three types of long term incentives. These three are: CIUs, restricted stock, and stock options. The Committee uses these performance driven components to link executive compensation to internal company performance, and to external market performance of the company's stock price. These incentives also enable the company to provide the Executive Officers with an economic interest in the long-term future growth of the company's business, and of the market price of its stock, and provide an incentive for the Executive Officers to continue employment with the company. Grants of all three components are recommended by the Committee and approved by the Independent Directors. The combination of these three long-term incentives granted during 1992 was compared to long-term incentives granted by comparable companies to ensure that the total was competitive. The potential value of, or rights to, two of these incentives — CIUs and restricted stock — is contingent upon the attainment of one or more specified performance objectives. Amounts are paid or rights given, if any, only to the extent that the stated performance objectives are achieved.

CIUs. In 1992 CIUs were granted to Key Executives including the Executive Officers. CIUs represent the right to receive cash only if certain specified financial objectives are achieved. The amount paid pursuant to CIUs is linked to the attainment of certain earnings per share rates and return on stockholder equity growth over a three-year period. The design directly links the potential value of the CIUs to company performance.

If the company's performance on the two financial measures equals the pre-established targeted growth rates, CIUs are paid at a target rate of \$1.00/CIU. For performance below the target level, the CIUs pay at a rate from \$.99 to \$.0075/CIU, and payment decreases to zero if the performance slips to 75 percent or less of the performance target. Payment reaches a maximum payout of

\$1.5625 /CIU when the performance equals or exceeds 150 percent of the target growth rate.

For the cycle 1992-1994, ending December 31, 1994, Mr. Harvey was granted 496,759 CIUs which are subject to the attainment of cumulative three-year earnings per share and return on stockholder equity objectives. For the 1990-1992 cycle ending on December 31, 1992, there was no payout of CIUs because the financial targets were not met.

Stock-Based Incentives

In 1992, the company also granted under its long-term incentive program two types of stock-based incentives which serve to provide Key Executives, including the Executive Officers, with a direct interest in the stock price and the long-term growth of the company. These two incentives are shares of restricted stock and stock options.

Restricted Stock. Restricted stock granted in 1992 is subject to both a financial performance and a tenure requirement. The restrictions on the shares are released, in total or in part, only if the executive is still employed at the end of the performance period and if the performance objective of compound earnings per share growth over the applicable three-year period has been achieved.

If the performance objective is achieved or exceeded, all of the restricted shares are released. If the compound three-year earnings per share growth is less than 75 percent of the target rate, the shares are forfeited. If performance is at 75 percent of the target rate, 50 percent of the shares are released and the balance is forfeited. For performance between 76 percent and the target level, the shares are released on a proportionate basis, with the unearned balance being forfeited.

On June 10, 1992 Mr. Harvey was granted 9,800 shares of restricted stock. On the date of grant, the market price of the stock was \$30.75 per share. The release of restrictions relating to these shares is to be determined based on performance over a three-year period ending December 31, 1994.

Also in 1992, the restrictions on 43,600 shares (adjusted for the 1992 two-for-one stock split)

granted to Mr. Harvey on February 11, 1991 were released as the performance objective relating to the two-year period 1991-92 was achieved. The market price of the stock when granted was \$24.34375 per share (adjusted for the 1992 two-for-one stock split).

Stock Options. In granting stock options to All Executives, including the Executive Officers, the intent is to provide incentive to increase the price of the stock. The exercise price of options granted has always been equal to 100 percent of the market price of the common stock on the date of grant. Options granted have a ten-year life span, but only become exercisable in installments during the first three years.

During 1992 Mr. Harvey was granted 19,300 options with an exercise price of \$30.75 per share, which equaled the market price of the stock on the date of grant.

Conclusion

As described above and as reflected in the 1992 compensation of the Executive Officers, it is the company's philosophy to link a portion of the compensation of All Executives to individual and business performance and to provide All Executives with compensation that creates a direct interest in the long-term growth of the company's stock price. Further, as it relates to Key Executives the company's practice has been to link a significant portion of total compensation to company performance and to have a greater portion represented by long-term compensation.

Linda G. Alvarado
William E. Butler
Colin G. Campbell

John C. Emery, Jr.
Charles E. Hugel
David T. Kimball

Leroy Nunery
Phyllis Sewell
Arthur R. Taylor
Julia M. Walsh

Severance and Change Of Control Arrangements

The company maintains a Severance Plan to provide a period of continued income to employees who are terminated by certain actions of the company, and to encourage all employees, including the Executive

Officers, to continue to carry out their duties in the event of the possibility of a Change of Control. "Change of Control" is defined as the acquisition of 20 percent of the company's common stock or 20 percent or more of the combined voting power of all voting securities by an individual, entity or group, or a change of more than a majority of the board other than by approval of the then-current board, or approval by the stockholders of a reorganization, merger, or dissolution of the company.

The Severance Plan provides for the payment to employees whose employment with the company is terminated under certain circumstances of a minimum of one week of pay for each full year of service (a fraction thereof for a partial year of service), with a minimum of two weeks of pay, up to a maximum of two years' pay. The Severance Plan also provides that employees of the company and its United States subsidiaries whose employment is terminated or whose position, authority, pay or benefits are diminished within two years after a Change of Control will be entitled to severance benefits on the basis of their position levels and seniority. If these conditions were to arise, Executive Officers would be entitled to four weeks severance pay for each year employed by the company or its subsidiaries, with a minimum of one year's pay, and a maximum of two years of pay.

The 1979 Plan and the 1991 Plan each provide that in the event of a Change of Control, options granted under the plans become immediately and fully exercisable. The 1991 Plan also provides that in the event of a Change of Control, other stock-based incentives granted become fully vested with all performance objectives deemed fully satisfied except for transfer restrictions required by Section 16 of the Securities Exchange Act of 1934 or any other applicable law.

The KEIP also provides that, in the event of a Change of Control, All Executives, including the Executive Officers, shall have a vested right to PBC Bonuses with respect to the year in which such Change of Control occurs and to CIUs which are then outstanding (for Key Executives), in amounts to be determined on the basis of relevant past performance of the individual executive, of their divisions and of Pitney Bowes, as applicable. Such

PBC Bonus and CIU payments would be made shortly after the Change of Control, discounted to present value at the prime rate then in effect. The KEIP provides with respect to restricted shares, or units entitling a recipient to receive shares, that, in the event of a Change of Control, such shares or units will become fully vested with all performance objectives or other restrictions deemed fully satisfied, except for any transfer restrictions required by Section 16 of the Securities Exchange Act of 1934 or any other applicable law.

If any of these benefits, either alone or together with any other payments or benefits provided to any employee including an Executive Officer, would constitute a "parachute payment" subject to the 20 percent excise tax under certain provisions of the Internal Revenue Code, the Severance Plan provides that an additional payment would be made to each affected employee in order that such excise tax is reimbursed.

It is possible that no payments will ever be made pursuant to the foregoing; and, therefore, it is not possible to estimate the amount of any payments that may become due to any individual under the Severance Plan or the Incentive Plans in the event of a Change of Control.

Pension Benefits

The following table shows estimated annual retirement benefits which would be payable to individuals at the compensation levels of the Executive Officers, at specified years of service classifications under the Pitney Bowes Retirement Plan, as supplemented by the Pitney Bowes Benefit Equalization Plan (the "Retirement Plan"). The amounts of annual benefits shown on the following table are predicated on the assumptions that the employee retires at age 65, that the employee is to be paid on a single life annuity basis, and that the amount of Social Security covered wages for each year of service was more than the Social Security maximum for 1992. The amount of compensation shown under the columns "Annual Compensation" on the Summary Compensation Table (Table I) on page 10 above is substantially the same as compensation covered by the Retirement Plan, as indicated under the heading "Final Average Earnings" on the following table. The

estimated annual benefits are not subject to any further deduction for Social Security benefits.

PENSION BENEFITS

Years of Service	Final Average Earnings					
	\$500,000	\$600,000	\$800,000	\$1,000,000	\$1,200,000	\$1,400,000
10	\$ 78,337	\$ 94,337	\$126,337	\$158,337	\$190,337	\$222,337
15	\$117,505	\$141,505	\$189,505	\$237,505	\$285,505	\$333,505
20	\$159,173	\$191,673	\$256,673	\$321,673	\$386,673	\$451,673
25	\$200,841	\$241,841	\$323,841	\$405,841	\$487,841	\$569,841
30	\$242,510	\$292,010	\$391,010	\$490,010	\$589,010	\$688,010
35	\$284,178	\$342,178	\$458,178	\$574,178	\$690,178	\$806,178
40	\$325,846	\$392,346	\$525,346	\$658,346	\$791,346	\$924,346

Messrs. Harvey (age 61), Breslawsky (age 50), Hiranandani (age 55), Adimando (age 48), and Ms. St. Mark (age 50), have 36, 12, 16, 14 and 13 years of credited service*, respectively under the Retirement Plan as of February 28, 1993.

*Rounded to the nearest whole year.

Approval of Appointment of Pitney Bowes' Independent Accountants

The Audit Committee of the board has recommended, and the board has approved for vote by stockholders, the continuation of Price Waterhouse as the independent accountants for Pitney Bowes for 1993.

Price Waterhouse has served in this capacity continuously since 1934. Price Waterhouse has no direct or indirect financial interest in Pitney Bowes or any of its subsidiaries. Representatives of Price Waterhouse will be present at the annual meeting of stockholders and will have the opportunity to make a statement and to respond to appropriate questions.

Under Delaware corporation law, the affirmative vote of the holders of a majority of the stock entitled to vote represented in person or by proxy at the meeting (each share of \$2.12 preference stock counting as eight votes of common stock) is

required to approve the appointment of independent accountants. If a majority of the shares voted at the meeting are not voted in favor of such firm, the board of directors will consider what action should be taken.

The board recommends that stockholders vote FOR the above proposal.

Stockholder Proposals for 1994 Annual Meeting

Under the rules of the Securities and Exchange Commission, proposals for stockholder action at the 1994 annual meeting, including nomination of directors, must be received by the Secretary of the company no later than November 30, 1993, if such proposals are to be included in the company's proxy statement and form of proxy.

In addition, the company's By-laws provide certain procedures which a stockholder must follow to nominate persons for election as directors or to

introduce an item of business at an annual meeting, even if such item is not to be included in the company's proxy statement and form of proxy. Such procedural requirements are fully set forth in the company's By-laws, a copy of which may be obtained without charge by any stockholder by contacting the Secretary of the company at the address and telephone number set forth on the cover of this proxy statement. To have a nomination or item of business brought before the 1994 annual meeting, a stockholder must deliver the requisite notice of such nomination or item to the Secretary of the company at its executive offices no later than February 11, 1994.

Solicitation of Proxies

In addition to the use of the mails, proxies may be solicited by the directors, officers, and employees of Pitney Bowes without additional compensation by personal interview, by telephone, or by telegram. Arrangements may also be made with brokerage firms and other custodians, nominees, and fiduciaries for the forwarding of solicitation material to the beneficial owners of Pitney Bowes common and preference stock held of record, and Pitney Bowes will reimburse such brokers, custodians, nominees,

and fiduciaries for reasonable out-of-pocket expenses incurred. Pitney Bowes has retained Chemical Bank to aid in the solicitation of proxies. The anticipated fee of such firm is \$7,500 plus out-of-pocket costs and expenses. The cost of solicitation will be borne entirely by Pitney Bowes.

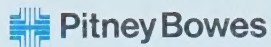
Other Matters

The management knows of no other matters which may be presented for consideration at the meeting. However, if any other matters properly come before the meeting, it is the intention of the individuals named in the enclosed form of proxy to vote in accordance with their judgment.

The 1992 annual report was distributed by mail several days prior to the distribution of this notice and proxy statement.

By order of the board of directors.

Michael J. Critelli
Vice President, Secretary and General Counsel
and Chief Personnel Officer



STAMFORD FACILITIES

- 1 MAIN PLANT WALTER H. WHEELER JR. DR.
- 2 BARRY PLACE 23 BARRY PLACE
- 3 WORLD HEADQUARTERS 1 ELMCROFT RD



DIRECTIONS:

Northbound on I-95

Please take Exit 7 (Greenwich Avenue) and proceed through the first intersection to next traffic light where you should turn right onto Washington Blvd. Continue ½ mile to stop sign. Turn left onto S. Pacific Street and take immediate right onto Dyke Lane. At the end of Dyke Lane, turn left onto Elmcroft Road. Please park where indicated.

Southbound on I-95

Please take Exit 7 (Atlantic Street). At the second traffic light, turn left onto Atlantic Street and continue through second traffic light to stop sign and turn left onto Washington Blvd. At next stop sign turn left onto S. Pacific Street and take immediate right onto Dyke Lane. At the end of Dyke Lane, turn left onto Elmcroft Road. Please park where indicated.

From the Merritt Parkway

Please take Exit 34 (Long Ridge Road). Turn south onto Long Ridge Road. Follow Long Ridge Road for approximately 2 miles to Cold Spring Road and turn right onto Cold Spring Road. Bear left onto Washington Blvd. and follow to the end (approximately 2 miles). At stop sign make a left turn onto S. Pacific Street and take an immediate right onto Dyke Lane. At the end of Dyke Lane turn left onto Elmcroft Road. Please park where indicated.